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## U.S. House Votes Limit of 40 on MX In Rebuff to Reagan

By Steven V. Roberts  
New York Times Service

WASHINGTON — The House of Representatives has voted to bar the purchase of any additional MX missiles next year and to limit deployment of the intercontinental missile to a total of 40.

The Tuesday night vote was another setback in the Reagan administration's struggle to keep the MX missile alive. Last month, the White House reluctantly accepted a proposal in the Senate that would allow the purchase of 12 new missiles in the fiscal year beginning Oct. 1 and to limit the operational force to 50 weapons.

The details of any final compromise will be settled by a House-Senate conference, but the vote made it clear that both houses of Congress wanted to place tight restrictions on the MX program and end a decade-long debate.

The proposal on the MX was adopted by voice vote as an amendment to the bill outlining programs for the Defense Department. But in the key vote in a series of parliamentary twists and turns, the limit of 40 missiles was approved by a vote of 233-184. Thirty-two Republicans joined 201 Democrats.

The amendment would eliminate \$2.1 billion earmarked by the Armed Services Committee for the purchase of 21 missiles next year. But \$921 million would be provided to finance the deployment of 40 of the missiles, which carry 10 warheads with great accuracy.

Representative Nicholas Mavroules, Democrat of Massachusetts, who co-sponsored the amendment, expressed the sentiment on Capitol Hill this way: "People have had it up to their throats with the MX missile. We want to get that behind us."

## Dollar Regains Some Ground

LONDON — The dollar recovered late Wednesday some of the ground it had lost Tuesday and earlier Wednesday. Traders were awaiting Thursday's release of a preliminary estimate of second-quarter growth in the U.S. gross national product.

Predictions of GNP growth ranged from unchanged to 4.5 percent. A trader in Frankfurt said that anything more than 1 percent would help the dollar.

The dollar's relative recovery followed a steep decline on Tuesday, after U.S. banks cut their prime lending rate to 9.5 percent. Details, Page 13.



John L. Testrake, captain of the TWA airliner, talks with reporters from the pilot's cabin.

## Red Cross Refuses Role as Mediator Group Says Parties in Hijack Must Negotiate Conditions

GENEVA — The International Committee of the Red Cross said Wednesday that it cannot act as an intermediary between the United States and Israel to secure the release of prisoners held by the Israelis as part of efforts to end the Beirut hostage crisis.

"It is not our mandate to act as an intermediary between two governments who have permanent and direct contacts," a spokesman said. The spokesman said the United States had formally asked the Red Cross to approach Israel over its intentions concerning the release of more than 700 Lebanese Shiite Muslim prisoners in return for about 40 American hostages held in Beirut.

## Reagan Bars Concessions To Terrorists in Hijacking

By Bernard Weinraub  
New York Times Service

WASHINGTON — President Ronald Reagan, vowing that the United States would never give in to terrorists, has called on Shiite hijackers in Lebanon to free their American hostages without conditions.

Speaking Tuesday night at a nationally televised news conference, he said: "American will never make concessions to terrorists. To do so would only invite more terrorism."

Then, in an obvious reference to Israel, he added, "Nor will we ask nor pressure any other government to do so." The hijackers of the TWA jet, seized Friday, have called for the release of about 700 Lebanese Shiite Muslims detained in southern Lebanon and now being held in Israel.

Saying that "we are in the midst of a dangerous and volatile situation," Mr. Reagan declined to answer specific questions about administration efforts to free the 40 American hostages or what actions the International Committee of the Red Cross might be taking to arrange a settlement of the hostage crisis.

Mr. Reagan urged an extension of the U.S. "armed sky marshal program" to international flights of American carriers. He also proposed that U.S. airlines "review the wisdom of continuing any flights into Athens until the security situation there improves."

His proposals signaled the strongest move so far against international terrorism. The effort apparently is designed, however, not to jeopardize the lives of the approximately 40 American hostages in Beirut who were aboard the Trans World Airlines jet hijacked last Friday after leaving Athens.

Mr. Reagan issued a warning that specifically included Lebanese leaders. "Those in Lebanon who commit these acts damage their country and their cause, and we hold them accountable," he said.

In response to the hijacking, Mr. Reagan proposed several measures including a warning to all Americans traveling through Athens International Airport that security there is lax.

"I am urging that no American enter any Middle Eastern country that does not publicly condemn and disassociate itself from this atrocity and call for the immediate safe release of our citizens," Mr. Reagan said.

The session Tuesday night was Mr. Reagan's first formal press conference since March 21 and his third since beginning his second term in January.

Mr. Reagan appeared grim-faced as he read his opening statement and responded to numerous questions about the Americans seized by Shiite gunmen aboard the TWA plane. The statement itself had been worked on by Mr. Reagan, Donald T. Regan, the White House chief of staff, and Patrick J. Buchanan, director of communications, until just before the news conference.

The president reiterated that he would not negotiate with terrorists. He also indicated that he would not ask Israel to free the hundreds of Shiite prisoners whose release has been demanded by the hijackers.



Ronald Reagan

"America will never make concessions to terrorists," Mr. Reagan said, "but we would only invite more terrorism. Nor will we ask nor pressure any other government to do so."

He added, "Once we head down that path, there will be no end to it — no end to the suffering of innocents."

(Continued on Page 2, Col. 6)

Excerpts from President Ronald Reagan's statement on the hijacking, Page 2.

## Soviet Cancels Sea Talks After Shift by Pentagon

By Leslie H. Gelb  
New York Times Service

WASHINGTON — For the first time in the 14 years of a U.S.-Soviet agreement on preventing dangerous incidents at sea, naval officers from the two nations have failed to hold their annual meeting.

Reagan administration officials said that Moscow had canceled the meeting, scheduled for earlier this month in Washington, after the Pentagon changed the terms for the session. The officials said this could jeopardize what they see as one of the most successful military-related pacts between the nations.

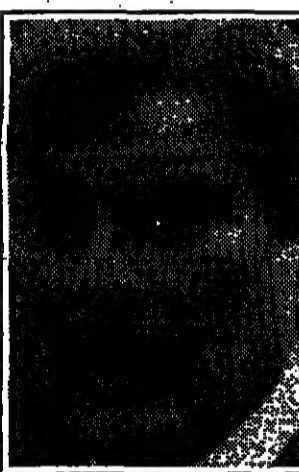
Senator John W. Warner, a Virginia Republican who, as secretary of the navy, was one of the negotiators of the 1972 accord, said Tuesday that "it is imperative we proceed with the meetings. We should not link the operation of the agreement to problems elsewhere in the world."

Officials said that Defense Secretary Caspar W. Weinberger had decided that the trip to the United States by Soviet naval officers should be shortened and shorn of all the usual social engagements in retaliation for the March 24 killing of a U.S. officer who was collecting intelligence in East Germany.

Pentagon and State Department officials said that Mr. Weinberger had made the decision despite strong opposition from the navy and the State Department and without the usual high-level deliberations at the White House.

These officials said Mr. Weinberger had ordered the navy to inform its Soviet counterparts of the change without having discussed the matter with Secretary of State George P. Shultz or Robert C. McFarlane, the national security adviser.

Administration officials said the Soviet delegation was to have visited the United States from June 9 to 17, with formal talks scheduled for June 11 to 13. They said that about a week before the meetings were to begin, Mr. Weinberger and Fred C. Ikle, the undersecretary of defense for policy, told the navy to tell Moscow that the trip had been



John W. Warner

shortened but not to explain why. On June 7, two days before the talks were to begin, Soviet diplomats told the State Department that their team would not be coming. The Soviet note charged the administration with having changed the schedule unilaterally and having introduced "extraneous factors."

Mr. Weinberger, in a statement issued Tuesday by his office, said the two sides had at first agreed to hold the regular annual meeting this month "so as to continue the professional discussion that both sides agree are important to our mutual interests."

But, referring to Major Arthur D. Nicholson Jr., the member of the U.S. military mission who was shot in East Germany, Mr. Weinberger said, "In view of the murder of Major Nicholson by a Soviet soldier and the failure to apologize or even compensate the family for this tragedy, we did not think this was an appropriate time to include a larger social program."

"The Soviet side informed us on June 7 that they had decided not to come for the talks at this time, apparently not wishing to have the sensitive talks without a large social program."

He said that "both sides agree to (Continued on Page 2, Col. 8)

## Laser Test On Shuttle Is a Failure

The Associated Press

CAPE CANAVERAL, Florida — The air force fired a laser beam Wednesday in what was to have been the first space shuttle test of the U.S. program to create a space-based missile defense, but the test failed because the shuttle Discovery was out of position.

"Looks like we got some bad numbers in the digital autopilot," the spacecraft's commander, Captain Daniel C. Brandenstein, reported when he found the shuttle 180 degrees out of position when the laser was fired from Mandi, Hawaii.

The astronauts had mounted an eight-inch (20.5-centimeter) reflector in a shuttle window as a target for the low-powered laser. But "it's obvious we're not pointing at the ground," Captain Brandenstein said.

Mission Control had radioed a series of numbers to the ship's computer that should have directed the autopilot to align Discovery properly. Captain Brandenstein said it appeared that the numbers had been sent in statute miles instead of nautical miles. Ground controllers concurred.

"Sorry about that," a Mission Control spokesman said. "Looks like we'll have to try later in the flight." Another opportunity is available Saturday.

The Air Force said that despite the out-of-position shuttle, the laser did "illuminate" it. This, it said, might provide some useful data.

The test of the laser, an amplified beam of light, was not meant to gather data on the ability to destroy an object in space, but rather on how much the light spreads while traveling through the atmosphere and how corrections for such spreading can be made.

The test also was to help determine if a laser can track a fast-moving missile warhead. The shuttle, 220 miles (356 kilometers) above Earth, was orbiting at 17,400 miles an hour (28,280 kilometers an hour), slightly faster than the warhead of an intercontinental missile.



The scene at Frankfurt Airport after a bomb exploded Wednesday, killing three persons.

## Bomb Kills 3 at Frankfurt Airport

By William Drozdzak  
Washington Post Service

BONN — A bomb exploded in a crowded departure lounge at Frankfurt International Airport on Wednesday, killing three people and wounding 32, the police said.

Police investigators in Frankfurt said there were no claims of responsibility, nor did they immediately discover any solid clues in the wreckage indicating who could have planted the bomb.

The explosives were lodged in a wastepaper basket in the international departure lounge close to the desk of Italy's Alitalia airline.

But the ticket counters of several other foreign airlines were nearby, so it was difficult to determine which line, if any, was the actual target, the police said.

The blast was so powerful that it

tore a hole three feet (one meter) deep in the concrete floor and devastated many check-in and information counters.

A man and two children were killed. All were passengers but could not be immediately identified because the bodies were too mutilated, according to a police spokesman.

The explosion took place in the early afternoon beyond the security zone where baggage is inspected. There was no warning.

It was the worst attack ever at the airport, which serves as a connecting center for international flights from all of Europe. Previous terrorist incidents have taken place there but there had been no deaths.

The blast, which occurred as noon air traffic was easing, left a wide area littered with ripped bag-

gage, broken glass and small fires. A full-size replica of a Red Cross plane suspended from the ceiling as part of an exhibition caught fire and was torn from its moorings.

The Frankfurt police president, Karl-Heinz Gemmer, said at a news conference that the force of the blast was so great that "the explosives must have weighed several kilos."

He said that he based his estimate on the extent of damage to the departure lounge, not on an analysis of the bomb fragments.

A British passenger, Alec Ballantine, who was returning to his home in Edinburgh with his wife, said: "All we heard was a bang and we saw two flashes. One of the airplanes attached to the ceiling collapsed and we got blown off our seats."

## Shiite s Stronghold — A Hostage Hideaway?

By John Kifner  
New York Times Service

LARNACA, Cyprus — The most likely places for the U.S. hostages to be held are in the sprawling shantytowns around Beirut International Airport.

The areas are warrens of cinderblock hovels set amid a few larger apartment blocks and houses in a maze of dirt lanes that have become a staging area for Shiite Muslim militancy.

It would be nearly impossible, particularly given the mobilization of heavily armed Shiite militiamen, for an outsider to determine exactly where the hostages are being held, let alone for a commando force to free them from what are presumed to be several different locations.

While the area is referred to as "the southern suburbs" of Beirut, a more accurate picture is conveyed by the local phrase "belt of misery."

Such settlements used to circle Beirut before Muslims and Palestinians were expelled from the Christian areas in the north and east at the beginning of the civil war 10 years ago.

Traditionally, the Shiites have been the most impoverished and politically underrepresented group in Lebanon's unwritten 42-year-old system of dividing the spoils in which political posts are allocated by religion.

The Shiites have not only absorbed waves of refugees from Lebanon's cycle of violence — particularly Shiites from the south who fled Israeli invasions in 1978 and 1982 — but have been themselves the targets of bombs and shells.

Around the ruined St. Michael's Church, at one of the half-dozen passages across the Green Line that divide the Christian East Beirut from mostly Muslim West Beirut, apartment buildings for blocks are blocks have been reduced to a moonscape of gray lumps of rubble.

At the Shiite militia checkpoint, a huge portrait of Iran's Shiite leader, Ayatollah Ruhollah Khomeini, is propped against a useless street

lamp stanchion, staring balefully at the Christian side.

The main force in the Shiite community is the Amal movement, whose name means "hope" in Arabic.

Amal has tried to keep a separate identity over the years from the other "leftist" groups operating in West Beirut. It came to prominence after 1982, when the armed Palestinian presence — which had bolstered the power of the traditional Sunni Muslim leaders — was decimated by the Israeli invasion and as Shiite refugees spread throughout the western half of Beirut.

## Americans Favor Conceding to Hijack Terms, Poll Finds

Washington Post Service

WASHINGTON — A majority of Americans would rather have the United States give in to terrorist demands than see further harm come to the victims of the hijacking of TWA Flight 847, according to a Washington Post-ABC News poll.

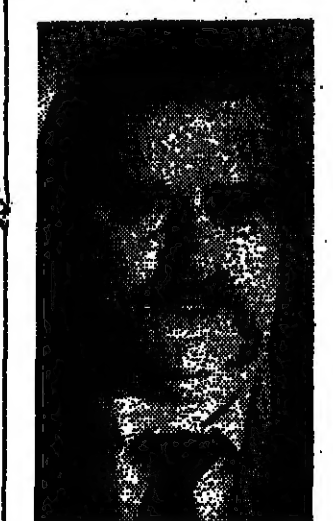
Fifty-eight percent of the 508 people interviewed said the United States should negotiate and accede to Lebanese Shiite Muslim demands if the alternative is further injury to or murder of about 40 American men still being held.

Thirty-four percent said the United States should not negotiate, even under such circumstances.

A majority, however, rejected the idea that the United States is helpless against terrorism and endorsed the use of force against Middle East nations that are found to be aiding terrorists who prey on Americans.

Asked whether Israel has "done what it should to help resolve the hostage situation," 50 percent said it has not, 25 percent said it has, and 25 percent expressed no opinion.

The hijackers are demanding that Israel release more than 700 Lebanese Shiite prisoners.



Lech Walesa said he was told by Polish officials to stop public attacks on the government, Page 4.

**INSIDE**

- Amidst faction of the PLO is described as the only winner in the Syrian-engineered accord on ending Beirut fighting. Page 2.
- President Piter W. Botha of South Africa criticized Western nations for a "double standard" toward Pretoria. Page 2.
- U.S. Army officials report that Communist efforts to recruit soldiers as spies has increased sharply. Page 3.
- Josef Mengele's son told a German magazine about life of Nazi fugitive on the run and said he saw him only twice. Page 4.
- Mehmet Ali Agca, changing his testimony, said in court that there was a third Turk present in the square where he shot the pope. Page 4.

**BUSINESS/FINANCE**

- British Telecom, the centerpiece of the U.K. government's plan to return state-owned companies to private ownership, said it earned \$1.93 billion in its first year as a private concern. Page 13.
- U.S. personal income in May fell 0.5 percent from April, a month that saw unusually high levels because of special factors. Page 13.

**SPECIAL REPORT**

- Spain is preparing for its entrance into the European Community. Page 7.

## U.S. Is Seeking More Low-Income Foreign Students

By Edward B. Fiske  
New York Times Service

NEW YORK — At the Parice Lumbumba People's Friendship University on the outskirts of Moscow, 5,000 students from 105 countries study alongside young Russians training for positions as Third World advisers.

The non-Russians are among an estimated 50,000 foreign students in the Soviet Union, most of them from developing countries and virtually all on Soviet government scholarships.

Colleges and universities in the United States have far more foreign students — 340,000 of them — but of a different sort. Only 7,500 are in the United States on government scholarships. The rest are supported by their families or home governments or are on private scholarships.

"Even those from developing countries tend to come from relatively affluent families," said Elinor Barber, of the Institute of International Education.

Because the education of foreign students is supposed to be, among other things, a means of building good will and extending U.S. influence, these statistics are attracting attention in Washington.

According to a recent U.S. Information Agency study, current policies bring members of "ruling elites" who are "not necessarily representative of the forces of change in their native countries."

Steps are being taken to open things up. Following a recommendation of the National Bipartisan Commission on Central America, a group that was headed by Henry A. Kissinger, the former secretary of state, the Agency for International Development has announced a new program that will bring 1,200 undergraduates from Central America to the United States this fall. This number will eventually reach 10,000 a year.

Legislation has been introduced in both the House and the Senate that would open the program to "financially deserving and academically promising students" from other developing countries.

According to the House majority leader, Jim Wright of Texas, a principal sponsor of the so-called U.S. Scholarship Program for Developing Countries Act, it would spur development and stability and broaden the country's "base of popular support" in the Third World.

By targeting low-income students in developing countries, he said, "the program we propose will send the world a clear message — America is a friend not just of the economically well-off but of those who come from poor families."

College officials are worrying about the heavy paperwork required by the Immigration and Naturalization Service regarding students who want to study here.

The problem goes back to the Iranian hostage crisis of 1979-1981, when immigration officials were embarrassed to admit to Congress that they did not know the whereabouts of many of the 51,000 Iranian students in the United States at the time.

Rod faces gave way to red tape, as the service imposed new regulations. For example, colleges must now complete elaborate official forms every time a foreign student seeks to change his or her academic program.

The National Association for Foreign Student Affairs is campaigning to eliminate some of the requirements on the ground that many are unnecessary and improperly involve immigration officers in educational decisions.

"We did a survey of 35 universities and found that they are now spending an average of \$44,000 apiece on compliance," an association spokesman said. "For the country as a whole, this means \$50 million that could be spent on substantive programs."



# Arafat Is Seen as Only Winner In Accord on Beirut Fighting

By Jonathan C. Randal  
Washington Post Service

DAMASCUS — The Syrian-engineered accord designed to end the long siege of Palestinian refugee camps in Beirut represents, in the view of some experienced diplomats here, a retreat for Damascus and all other major parties except Yasser Arafat's Palestine Liberation Organization, which rejected it.

The accord, put together by Abdel Halim Khaddam, the Syrian vice president in charge of Lebanese affairs, was signed by the Shiite Moslem Amal faction in Lebanon and by the Damascus-based Palestine National Salvation Front. Announced here Monday night, the accord acknowledged

that neither Damascus nor its Shiite allies in Lebanon had succeeded in bringing the Palestinian defenders of the refugee camps under control.

That failure, in the view of the diplomats, was evident in a clause stipulating that the Palestinians were entitled to keep their light weapons. Those are the only arms that can be used effectively in the street fighting for control of the camps.

As in the past, the Palestinians promised to surrender their few heavy and medium weapons, but only at some vague point in the future when all other armed factions in Lebanon did likewise.

The Palestinians also made an important point by insisting that

security inside the camp be entrusted to the weak Lebanese gendarmerie and not to the Lebanese Army, whose 6th Brigade is made up almost entirely of Shiite soldiers who fought alongside Amal against the Palestinians.

The agreement thus tacitly conceded that the Palestinians would continue to police their camps and enjoy the state-within-a-state status that Amal has sworn to end.

Politically, the Syrians did make a potentially important point, at least on paper.

They obtained the support of the Druze Moslem leader, Walid Jumblatt, and other Lebanese political allies for their contention that the Damascus-based Palestinian forces and not Mr. Arafat's mainstream PLO should be the legitimate voice of Palestinians in Lebanon.

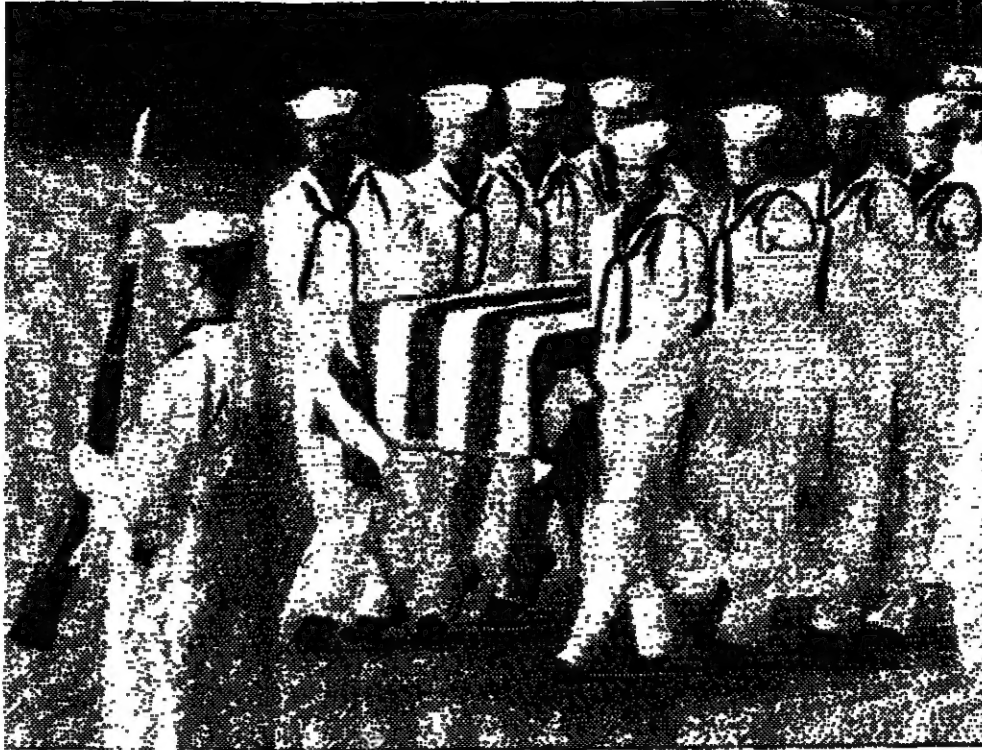
But most of the Palestinian fighters in Beirut are Arafat loyalists, according to the diplomats here, and even the Damascus-based Palestinians have been vehement in denouncing Syria's role in the siege of the camps.

**Wounded Are Evacuated**  
Red Cross ambulances evacuated wounded persons from the besieged Palestinian refugee camp of Borge Barajni on Wednesday as fierce fighting also raged in southern Lebanon between Syrian-backed Moslem and pro-Israeli forces, Reuters reported from Beirut.

Witnesses said that 12 ambulances had collected wounded from inside the camp in the biggest relief operation there since the Shiite-Palestinian fighting began May 19.

A Palestinian official, Fadi Shoucri, who toured Borge Barajni on Tuesday and the Chaila camp on Wednesday under the Syrian brokered cease-fire, said there were at least 200 wounded in the camps, with thousands trapped in squalor in Chaila.

**Assad in Moscow**  
President Hafez al-Assad of Syria flew into Moscow on Wednesday and was expected to hold talks with the Soviet leader, Mikhail S. Gorbachev, on the situation in the Middle East and in Beirut in particular, Reuters reported from Moscow.



Robert Dean Stethem, slain by hijackers, is borne from plane at Andrews Air Force Base.

## TWA Says Crew Sought to Prevent Removal of Possible Jewish Passengers

By Elaine Sciolino  
New York Times Service

NEW YORK — Flight attendants aboard the hijacked Trans World Airlines jet in Beirut tried but failed to dissuade hijackers from separating passengers thought to be Jewish from the others, according to TWA spokesmen in New York.

Instead, the spokesmen said, the attendants were able to persuade the hijackers that some of the passengers the hijackers suspected were Jewish were either German or Swedish.

There is confusion over the status of the passengers with Jewish-sounding names. Last Friday night, during the TWA jet's second stop in Beirut, the Lebanese Shiite Moslem hijackers forcibly removed a group of six to 12 passengers from the Boeing 727 and took them away, according to TWA.

A State Department spokesman said Tuesday that there was "no clear evidence that people with

names that were regarded as Jewish" were taken off the plane and are being held separately from the other hostages. "But we would find any such act as particularly repugnant," the department said.

Larry Speakes, the White House spokesman, said that Nabih Berri, the Shiite leader responsible for negotiations for release of the hostages, has told the Reagan administration that "half" of the group "are under his control." Mr. Berri said the other half of the group, which he put at six to 10, are controlled by "the hijackers and their accomplices," according to Mr. Speakes.

On Sunday night, Uli Derickson, the flight's purser, said at a news conference in New York that the gunmen had ordered her to collect passengers' passports and give them those with Jewish-sounding names.

"There was an argument by the crew that you cannot always tell that if a person is Jewish by surname," David C. Venz, TWA's di-

rector of corporate communications, said Monday. "That argument did not prevail."

Mrs. Derickson, a West German who dealt with the hijackers because they spoke German, was asked, "How many were there that you picked out with Jewish-sounding names?"

She replied, "Six or seven, I believe." Later, however, she was asked, "Did you pick out the names?"

"No," Mrs. Derickson replied. "That was done by the terrorists." Attempts to reach Mrs. Derickson by telephone for further comment were unsuccessful.

Haika Grossman, a member of the Israeli parliament, the Knesset, and a survivor of the Auschwitz death camp, said in parliamentary debate Monday in Jerusalem: "I regard with great severity the TWA hijacking in which a selection was made according to the name listed in the passport, and everyone is calm about it. It sends shivers through me."

## WORLD BRIEFS

### Swiss Diplomat Wounded in Istanbul

ISTANBUL (Reuters) — Hans Freiburghaus, the Swiss consul-general, was shot and wounded Wednesday by a man who reportedly had been refused a visa to enter Switzerland, officials said.

Swiss officials said that Mr. Freiburghaus, 62, was hit in the chest and underwent emergency surgery at Admiral Bristol American Hospital. Hospital sources said he was conscious and had talked with Istanbul's provincial governor, Nevzat Ayaz.

Turkey's foreign minister, Vahit Hasefoglu, said the gunman, whom he did not identify, had fled after shooting Mr. Freiburghaus. Mr. Hasefoglu said "every effort will be made to capture the assailant, who is at large."

### 7 Killed in Shooting Spree in France

RENNES, France (AP) — A mental patient killed seven persons, including his father and uncle, and wounded five more Wednesday in a shooting spree across northern Brittany, the police said.

They said they arrested Guy Martel, 41, a former teacher, in Evran after he had shot people there and in six other towns.

Mr. Martel, who was armed with a .22-caliber rifle, did not resist arrest, the police said. There was no immediate explanation of how he left a hospital near Rennes or acquired the rifle.

### Afghan-Pakistan Talks Resume Today

GENEVA (Reuters) — Talks between Pakistan and Afghanistan's Soviet-backed government, which resume here Thursday, will concern the possible withdrawal of Soviet troops and the return of three million Afghan refugees, a United Nations official said Wednesday.

Diego Cordovez, UN special representative on Afghanistan, told reporters that this fourth round since 1982 of the so-called proximity talks, in which the UN will shuttle between the separated delegations, will focus on issues of substance and not merely on procedural problems.

Foreign Ministers Shah Mohammed Dost of Afghanistan and Sahabzada Yaqub Khan of Pakistan will head their delegations during the five-day session. The talks will coincide with the first U.S.-Soviet meeting on Afghanistan in three years, which opened Tuesday in Washington.

### U.S. Officials Are Ruled Open to Suits

WASHINGTON (AP) — The Supreme Court ruled Wednesday that high-ranking U.S. officials are not immune from lawsuits for their conduct while in office, but it said that former Attorney General John N. Mitchell was entitled to immunity from suits arising from illegal wiretaps conducted in 1970.

The court, in a 4-3 ruling, said Mr. Mitchell's immunity was based on the fact that it was not clear that his "actions in authorizing the wiretap violated law that was clearly established at the time of the authorization." But the court said, by another 4-3 majority, that cabinet and other high government officials did not have absolute immunity from suits arising out of allegedly unconstitutional conduct while in office.

In another case, in which it refused to invalidate most of the State of Washington's obscenity law, the court ruled that such a law cannot ban something simply because it is "indecent." It said that the word had acquired "acceptable connotations," including "a healthy, wholesome, human reaction common to millions of well-adjusted persons in our society."

### Frankfurt Court Acquits 6 Protesters

FRANKFURT (Combined Dispatches) — A court acquitted Wednesday six students charged with blocking a U.S. Army depot on the ground that the basing of Pershing-2 nuclear missiles in West Germany is unconstitutional.

The Pershing-2 was described as a "first strike" weapon, and the court found that its deployment violated the preamble to the West German constitution that bars any policy endangering the eventual reunification of Germany and also violates the explicit constitutional ban on aggression.

The Bonn government said Wednesday that 54 of a planned total of 108 Pershing-2s have been stationed in West Germany. It was the first time that a figure has been given on the deployment program. (UPI, Reuters)

### Tamil Group Says It Still Is Fighting

NEW DELHI (AP) — A major Tamil separatist group said Wednesday it had not stopped fighting despite an announcement in Colombo, Sri Lanka, that a cease-fire had been arranged.

The statement, by the Liberation Tigers of Tamil Eelam, said the four parties of the National Liberation Front had rejected the truce unanimously.

But reports from Colombo suggested that pressure from India had caused the guerrillas in the north to tacitly observe the cease-fire. Tamil sources reported that India had begun patrolling the Palk Strait between the countries to seal off the island from separatists based in India.

### For the Record

A national strike by French railroad workers disrupted more than half of the country's passenger train services on Wednesday, a railway spokesman said.

Prison sentences imposed on two Swiss pilots over a 1977 crash off Madeira in which 36 passengers died have been canceled, their defense attorney said Wednesday, because the seven-and-a-half-year statute of limitations expired Tuesday before a final court ruling on their appeals had been made. (Reuters)

Iran said its troops launched a three-pronged hit-and-run raid Wednesday across the border with Iraq, killing or wounding more than 250 Iraqi soldiers. Iran has rejected an Iraqi declaration of a 15-day moratorium effective last Saturday on air strikes on Iranian cities. (Reuters)

Communists in India shot and killed Neta Halkimuddin, a Moslem leader of Prime Minister Rajiv Gandhi's Congress (I) Party, on Wednesday. Meerut, 50 miles (about 80 kilometers) northeast of New Delhi. (AP)

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## House Votes 40-MX Limit

(Continued from Page 1)

12 new missiles this year with the House position of zero. Since Congress has already authorized the purchase of 42 missiles in previous years, any weapons that exceeded the deployment limit would be used for spare and test purposes.

At his news conference Tuesday night, Mr. Reagan repeated his support for the MX and said it was vital to the modernization of the U.S. strategic force. "We need it," he said.

Mr. Reagan also said it had become possible to strengthen the silos containing the missiles to the point at which they could sustain "a very direct hit" from a Soviet missile.

However, many lawmakers have come to believe that other strategic systems, such as the submarine-based D-5 missile, offer much more protection than the MX. They have also decided that a smaller and more mobile missile, the Midgetman, will become available in the next few years and fill the gap left by the truncated MX program.

A third reason for the Tuesday vote was a rising fear about budget deficits that would force Congress to make difficult choices about weapons systems for the foreseeable future.

## 'U.S. Is a Nation Being Attacked by Terrorists'

The Associated Press  
WASHINGTON — Following is an excerpted transcript of President Ronald Reagan's opening remarks at his news conference Tuesday night on the hijacking crisis.

The United States is tonight a nation being attacked by international terrorists, who wantonly kill and who seize our innocent citizens as their prisoners.

In response to this situation, I'm directing that the following steps be taken:

I have directed the secretary of state to issue an immediate travel advisory for U.S. citizens traveling through the Athens International Airport warning them of dangers. This warning shall remain in effect until the Greek government has improved the security situation there and until it has demonstrated a willingness to comply with the security provisions of the U.S.-Greek Civil Aviation Agreement and the Tokyo, Montreal and Hague Conventions regarding prosecution and punishment of air pirates.

I have asked for a full explanation for the events surrounding the takeover of the aircraft in Athens. I have appealed through the Department of Transportation and the Federal Aviation Administration for all U.S. air carriers to review the wisdom of continuing any flights into Athens until the security situation there improves.

And further, I have asked Secretary Shultz and Dole to report to me on whether we should terminate the service of foreign air carriers whose governments do not honor international conventions or provide adequate security at their airports.

I'm calling on all allied and friendly governments to redouble their efforts to improve airport security and take other measures to prevent the hijacking of aircraft.

I will also be asking them to take steps to prevent travel to places where lawlessness is rampant and innocent passengers are unprotected, and I'm urging that no American enter any Middle Eastern country that does not publicly condemn and disassociate itself from this atrocity and call for the immediate safe release of our citizens.

Let me further make it plain to the assassins in Beirut and their accomplices, wherever they may be, that America will never make concessions to terrorists. To do so would only invite more terrorism. Now we ask nor pressure any foreign government to do so. Once we head down that path there will be no end to it, no end to the suffering of innocent people, no end to the bloody ransom all civilized nations must pay.

This act of terrorism is a stain on Lebanon and particularly on those Lebanese in whose name it has been done. Those in Lebanon who commit these acts damage their country and their cause and we hold them accountable.

I call upon those holding our people to release them without condition. I call on the leaders of Lebanon, political and religious, to meet their responsibilities and to do all that is necessary to end this crime now in the name of the God they worship, and I call on other governments to speak out and use their influence as well.

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## Red Cross Refuses to Mediate in Hijacking

(Continued from Page 1)

ment that the Red Cross could broker some kind of phased movement.

He said that checking the status of prisoners was part of the role of the Red Cross and the United States had not asked it to intervene in the hostage crisis.

Red Cross policy on mediation in hostage cases is to consider overseeing a release only at the request of all parties involved. It does not take initiatives of its own, and the parties directly involved have to negotiate the conditions.

The Red Cross spokesman said that Israel had made no request to the organization.

He said that the Geneva-based organization also would need the consent of the hijackers before acting as an intermediary in the release of the American hostages.

**Pilot Warns Against Raid**  
Hostages from a hijacked TWA jet would face certain death if a rescue raid were attempted, the plane's pilot said Wednesday in brief interviews from the cockpit where he was held at gunpoint. The Associated Press reported from Beirut.

He said Tuesday that the contract would be signed June 24 and delivery would begin in 1988. The air force would pay 2.2 billion baht of the total cost this year, he added, with the balance being paid over the next four years.

**Thailand's Air Force To Buy F-16s From U.S.**  
Agence France-Presse  
BANGKOK — The Thai cabinet has approved the purchase of 12 F-16 jet fighters from the United States for 10.3 billion baht (\$378 million), Deputy Defense Minister Panich Kanitair said.

He said Tuesday that the contract would be signed June 24 and delivery would begin in 1988. The air force would pay 2.2 billion baht of the total cost this year, he added, with the balance being paid over the next four years.

**U.S. 'Will Not Rest'**  
Secretary of State George P. Shultz said Wednesday that the United States "will not rest" until Shiite Moslems release the American hostages. King Hussein of Jordan, he said, has joined in condemning the hijacking. United Press International reported from Washington.

**Spanish Trial Opens**  
A Shiite Moslem gunman, whose release is sought by the hijackers of the TWA plane, acknowledged on the opening day of his trial in a Spanish court Wednesday that he

had fired on a Libyan diplomat's car last year. The Washington Post reported from Madrid.

Mohammed Rahal said that he and an accomplice, Mustafa Jalil, were members of the Shiite Amal organization and that they had both received orders from their superiors to act against the diplomat, Mohammed Idris, on Sept. 12.

In response to another question, Mr. Reagan said that the U.S. role in the United Nations peacekeeping force in Beirut and its support for Israel had created "rampant anti-Americanism among those who don't want peace with Israel."

He said that the Israeli government had been moving toward releasing the Shites it has in detention camps, but said the hijacking had created a "linkage" that would make it appear that both Israel and the United States were giving in to terrorist demands.

In response to a question several moments later, Mr. Reagan called the entire hostage situation "frustrating."

"I've pounded a few walls myself," he said.

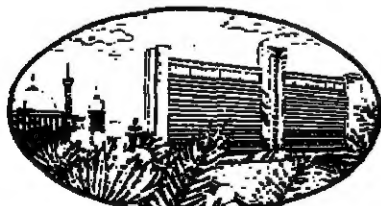
Mr. Reagan, in response to a question, said that discussions held by Americans involving the hostages also included the status of seven Americans who have been kidnapped and are being held in captivity in Lebanon.

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# Efforts to Recruit U.S. Soldiers as Spies Rise Sharply, Army Says

By Richard Halloran  
New York Times Service

WASHINGTON — The U.S. Army says there has been an increase in reports of attempts by Soviet and other East European intelligence services to recruit American soldiers as spies.

In interviews, army officers said there were 481 incidents last year in which soldiers reported being approached by persons they suspected of being Soviet or East European intelligence officers, or by sympathizers in nations such as West Germany. That was a 400-percent increase over 1978, the officers said.

Of those, they said, 94 cases were referred to army counterintelligence for possible action. That would include having the U.S. soldier act as a double agent to obtain information from those who had recruited him.

These contacts were disclosed after the army began a review of its security procedures following the arrest of four present or former U.S. Navy men accused by federal officials of participating in an espionage ring that the government says was headed by John A. Walker Jr.

The officers said that the army opened 124 investigations of suspected approaches in the three months ended Dec. 31, the most recent period for which statistics were available. The majority were in the United States; 37 were in Europe and 15 in the Pacific.

The army counterintelligence program, Subversion and Espionage Directed Against the Army, is mainly an educational effort in which soldiers are instructed on detecting signs of an intelligence approach and are cautioned to report those to their superiors.

A spokesman for the navy said that everyone in that service who has clearance to see secret material is briefed periodically on watching for approaches by intelligence agents. The spokesman said that possible attempts to recruit sailors had been spotted but the navy did not release such statistics.

A spokesman for the U.S. Air Force said that his service had a similar program in which large numbers of officers and enlisted personnel were briefed. No details on recent experience were available.

The army officers said many attempts to recruit U.S. soldiers as spies in Europe were made by Germans who might be Soviet agents or who were sympathetic to the Soviet Union.

In Europe, the officers said, soldiers whose families came from Eastern Europe have been targets for approach by East European intelligence services. U.S. soldiers are permitted to travel to Eastern Europe on leave, at which time they may visit relatives.

In such instances, the officers said, intelligence agents of the East European nation would suggest to the soldiers that life could be better for their relatives if they cooperated with the intelligence agents, or worse if they did not.

There are 22,000 U.S. soldiers stationed in Europe, most in West Germany.

The officers said that the increase in reported incidents under the army program could be attributed to a combination of more approaches to U.S. soldiers by foreign intelligence services and a greater alertness by the soldiers.

The officers were less confident that they had prevented soldiers with access to secret information from taking the initiative and selling that data to a foreign government. That pattern has appeared in many recent espionage cases.

"How do you know there's no Walker in the army out there?" one officer asked. "You don't know."

## Walker Case Described

Susan F. Raskey of The New York Times reports from Washington:

As the family drama in the Walker spy case continued to unfold, the daughter of John A. Walker Jr. described Tuesday how she and her mother decided to turn him in to the Federal Bureau of Investigation.

Laura Walker Snyder, in a television interview, said that her mother suspected for more than a decade that Mr. Walker was a Soviet agent. Mrs. Snyder, who said her husband took their son when the couple separated three years ago, said she persuaded her mother to "turn my father in so that I can fight for my son."

She had confided in her husband, Phillip, when her father tried to recruit her for espionage, Mrs. Snyder said. After the couple separated, her husband threatened to tell what he knew if she tried to take their son. On Saturday, she went to her husband's home in Laurel, Maryland, and took the 5-year-old boy from the yard where he was playing.

Mrs. Snyder's comments, in which she discussed her religious conversion, came in an interview broadcast Tuesday morning on the Christian Broadcasting Network's "700 Club." It was the first indication that those outside the immediate family had suspected Mr. Walker of espionage.

"My husband was blackmailing me," Mrs. Snyder said. "He told me that if I tried to get the baby he would turn my father in or tell what he knew and he would destroy the family."

In portions of the interview made available Monday, Mrs. Snyder, 25, said her father had tried to recruit her as a spy six years ago when she was an army communications specialist at Fort Polk, Louisiana. Mrs. Snyder's brother, Michael Walker, is one of those accused of participating in a navy spy ring that the authorities say was run by John Walker.

Mrs. Snyder said she was shocked by her father's offer to pay her for stealing secret documents and that she had told her husband about it. "He turned it on me," she said.

According to Guy C. Evans, associate counsel of the Christian Broadcasting Network, Mrs. Snyder had urged her mother for nearly three years to tell the authorities about John Walker's spying, but Mrs. Walker refused.

John and Barbara Walker were divorced in 1976. According to Mrs. Snyder, her mother suspected John Walker's spying activities as far back as 1969.

According to Mr. Evans, Barbara Walker contacted Mrs. Snyder earlier this year and said she was ready to go to the FBI to turn in John Walker "because she knew that otherwise she might never see her grandchild again." In portions of the interview made available Monday, Mrs. Snyder said neither she nor her mother were aware then that Michael Walker would be implicated in the spy ring.

## U.S. Study Finds Cigarette Sales Falling Since '81

The Associated Press

WASHINGTON — Cigarette sales have fallen this decade for the first time since 1969, despite record advertising spending by tobacco companies, the Federal Trade Commission said Tuesday in a report to Congress.

Sales dropped from 636 billion cigarettes in 1981 to 632 billion in 1982, the agency said. In 1983, sales dropped again, to 584.4 billion.

Spending on advertising climbed to nearly \$2.7 billion in 1983.

"During 1982-83, cigarette manufacturers continued to concentrate on associating smoking with success and a luxurious lifestyle," the commission observed.

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## U.S. Urged to Insist on U.S. Patients Over Foreigners in Organ Transplants

By Margaret Engel  
Washington Post Service

WASHINGTON — The U.S. government should require doctors and hospitals to give Americans preferential treatment over foreigners in receiving transplants of scarce organs, witnesses have told a congressional task force.

The testimony Tuesday was given at one of several meetings around the country being held by the national Task Force on Organ Transplantation, which is to advise Congress by January 1986 on how organ donation, procurement and distribution should be handled in the United States.

In some cities where press reports have cited a disproportionate number of foreigners receiving transplants, hospitals and transplant groups have barred or restricted transplants for foreigners.

But Dr. Robert Gordon, a transplant surgeon at Presbyterian-University of Pittsburgh Hospital, said, "This 'bottom of the barrel' policy really puts foreign nationals at extreme financial and social risk."

"If we bring patients over here," he said, "they will wait a long time under false pretenses. It makes hostages out of them."

He added that news reports on abuses in his city have been "exaggerated," and advised the panel to establish a quota of 10 percent of U.S. transplants for foreign national patients.

Dr. Olga Jonasson, director of the task force and chief of surgery at Cook County Hospital in Chicago, acknowledged that "there have been abuses."

Some American doctors and medical centers have solicited some foreign patients to come to the United States for transplants, Dr. Jonasson said. Some surgeons and transplant centers also have made large profits by charging some foreign patients more for the operation than U.S. citizens, she said, urging an end to both practices.

Dr. Terry Strom, an immunologist at Beth Israel Hospital in Boston, raised another objection. "The foreign nationals who come to get kidneys do not represent a slice of life in their countries," he said. He indicated that the majority of foreign transplant patients are among the elite of their countries, and said, "The foreign national issue would be more palatable if we weren't getting a certain strata."

But another of the 25-member panel, Dr. Paul Russell, chief of the transplant unit of Massachusetts General Hospital, said that despite what the task force recommends, "We are quite powerless to prevent people from doing transplants," he said, adding, "There's no way to police it."

According to other testimony before the panel, some hospitals distribute organs to relatives of staff members, or to wealthy individuals who donate money to the hospital, without regard to medical need.

To ensure equal access to organs, others appearing before the panel suggested a lottery for organs. The task force also questioned whether

a patient's age and medical condition, and whether they had received earlier transplants, should be considered.

The parents of Kimberly Fuller, 9, of Elk City, Oklahoma, who has been waiting a year for a heart and lung transplant, pleaded with the task force to encourage organ donations and to force better cooperation among hospitals and organ networks.

The 407 heart transplants performed in the United States last year represented a 400 percent increase over the number just two years earlier, showing the explosive growth in such operations.

But a fact sheet supplied by the task force quoted a recent study as saying there are as many as 15,000 people who could benefit from heart transplants. Speakers at the hearing suggested the rate of donations, approved by healthy Americans who later die in some non-heart-related accident or other incident, is showing no signs of any increase.

Lack of donors "is a big problem," said Dr. Jack Copeland, chief of the cardiothoracic surgery section at the University of Arizona Medical Center in Tucson.

Dr. Copeland said that the task force should insist that U.S. patients be given priority over foreigners in organ transplants.

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## Breaking new ground

Last summer, Uwe Hohn of GDR broke new ground in the javelin with a world record of 104.80 metres. That throw went unmatched — and virtually unchallenged — in a summer when East and West rarely met in athletics.

This summer, the best throwers, runners, jumpers, and vaulters will have 16 chances to meet in the IAAF Mobil Grand Prix. Sponsored by Mobil and organized by the International Amateur Athletic Federation, this first-ever international season got underway in San Jose, California, on 25 May, and culminates with the

Grand Prix finals in Rome on 7 September. Upcoming are the DN-Galan in Stockholm on 2 July and the World Games in Helsinki on 4 July.

Grand Prix points are awarded to athletes on the basis of their performances and times. World records gain extra points. At the conclusion of the overall Grand Prix, titles will be awarded to the outstanding male and female athletes and to the outstanding performers in each event.

With this competition, Mobil is pleased to be breaking new ground in athletics. That's the point of it all.

**IAAF Mobil Grand Prix**

Here's the 1985 IAAF Mobil Grand Prix schedule:

Event	Location	Date
Bruce Jenner's Bud Light Classic	San Jose, California	25 May
The Prefontaine Classic	Eugene, Oregon	1 June
Znamensky Memorial	Moscow	8 June
Rosicky Memorial	Prague	22 June
DN-Galan	Stockholm	2 July
World Games	Helsinki	4 July
Nikaia	Nice	16 July
Pouquet/Talbot Games	London	19 July
Bislett Games	Oslo	27 July
IAC	London	2 August
Budapest Grand Prix	Budapest	4 August
Weltklasse	Zürich	21 August
ESTAF	West Berlin	23 August
Weltklasse	Cologne	25 August
Ho Van Damme Memorial	Brussels	30 August
IAAF Mobil Grand Prix Final	Rome	7 September

## Guatemala's Guerrillas Stay Active Despite Growing Army Pressure

By William R. Long  
Los Angeles Times Service

NEBAJ, Guatemala — During a thunderstorm one recent evening, Major Francisco Martin's troops scoured the steep, wooded mountains north of here for guerrillas of the Ho Chi Minh Front while the major shouted encouragement to them over a field radio.

The next morning, the patrol reported that the guerrillas had melted into the darkness and rain without firing a shot — but four soldiers had been injured by lightning.

Major Martin shrugged off the frustration. He is used to it.

The guerrillas rarely confront the aggressive Guatemalan government forces in open battle. Instead, they surprise small army patrols with hit-and-run attacks, ambush army road-building details, sabotage pipelines and fire on mountain villages from a distance.

"It is a game of cat and mouse; we take the initiative, and they take off," Major Martin said.

In other parts of Guatemala where Marxist-led guerrillas are active, the story is much the same. Increasingly, since 1982, the army has dominated the war, but the guerrillas have shown a tenacious ability to stay active and elusive.

Although the guerrilla war in Guatemala receives less international attention than those in El Salvador and Nicaragua, it is proving to be no less enduring.

With virtually no U.S. aid, the tough and sometimes ruthless Guatemalan Army has reduced the guerrilla movement's estimated strength from as many as 6,000 fighters at its peak in 1981 to about 1,500 now.

But as the 30,000-man army has pushed the guerrillas deeper into isolated areas, it has been hampered increasingly by logistical problems. Officers complain of a desperate lack of vehicles, especially helicopters, for moving troops and supplies.

"If we had one-fourth or one-fifth of the helicopters that the United States has given El Salvador or Honduras," Major Martin said, "we would already have finished off the problem."

Early this year, the guerrillas announced what they called a "new phase" of intensified action. They stepped up their raids and ambushes, and for brief periods they occupied several towns and plantations.

Thirteen soldiers were killed in an ambush in Huehuetenango province on Jan. 29. In all, the army lists 38 men lost in guerrilla clashes during the first four months of the year.

In 1984, there were 227 military deaths and 201 guerrilla deaths, according to a U.S. Embassy compilation, down from a combined total of 1,168 military and guerrilla deaths in 1983.

The heaviest fighting between government troops and guerrillas was in 1982. In that year, the country's four separate guerrilla armies joined in an alliance called Guatemalan National Revolutionary Unity.

The army says the alliance was formed at the insistence of the revolutionary governments of Cuba and Nicaragua as a condition of aid for the Guatemalan rebels.

The strongest of the four groups has been the Guerrilla Army of the Poor, known by its Spanish initials EGP. It is divided into fronts named for international revolutionary heroes: the Commander Ernesto Guevara Front, based in Huehuetenango province, and the Ho Chi Minh Front and Augusto Cesar Sandino Front, both in Quiché province.

The Revolutionary Armed Forces is strongest in the western jungles of Peten, Guatemala's huge northernmost province. Its actions this year have included holding up tourist buses on a jungle road to Guatemala's famous Mayan ruins at Tikal.

The Revolutionary Organization of Armed People is most active south and west of Lake Atitlan and from the lake through San Marcos province. In its most spectacular action this year, the group burned the city hall at Santiago Atitlan, an Indian community on the southern shore of Lake Atitlan that is frequented by foreign tourists.

This activity has demonstrated the law with regard to consultation as a reasonable response to the Guatemalan government just making this announcement," said Representative Stanley L. Lundine, Democrat of New York. He is chairman of the Banking, Finance and Urban Affairs subcommittee on international development institutions and finance.

[On Tuesday, Chile's military government banned political meetings in Santiago, Reuters reported. The ban was announced by the military commander for Santiago under the state of emergency.]

[Government permission will be required for all other meetings, except for private or family gatherings or shows in places normally used for entertainment.]

## EC Will Retaliate if U.S. Restricts Pasta Imports

The Associated Press

LUXEMBOURG — The European Community said Wednesday that it would retaliate if the United States carried out a pledge to restrict pasta imports from the 10-nation trading bloc.

The declaration by EC foreign ministers underscored a heightening of tensions between Western Europe and the United States on a broad range of trade issues.

A separate statement criticized Japan for not moving fast enough in opening its markets to imports from Western Europe. It said Japan remained "out of step" in the volume of its imports of manufactured goods.

Giulio Andreotti, the Italian foreign minister, said the EC would undertake a full review of its relations with Japan with an eye toward making a policy decision in the autumn. He noted that Japanese-EC trade relations would be the major topic of discussion when the Japanese prime minister, Yasuhiro Nakasone, visited the community's headquarters in Brussels on July 19.

Willy De Clercq, the EC commissioner in charge of foreign trade relations, accused the administration of President Ronald Reagan of being hypocritical in threatening to curb pasta imports.

Mr. Reagan is expected to decide Thursday whether to impose the

curbs in response to the EC's refusal to revise preferential agreements with 11 Mediterranean countries on imports of citrus fruit.

"You cannot, on the one side, say you are for liberalization of trade and, on the other side, take unilateral actions which undermine the system you claim to be defending," Mr. De Clercq said.

The ministers' statement called the threatened U.S. action "particularly ill-timed," in view of American efforts to persuade the Europeans that a new round of global trade liberalization talks should be started early next year.

The Reagan administration has complained that EC citrus trade arrangements with Mediterranean countries violate international trade rules because they do not provide equal treatment for American citrus exporters.

The EC contends that the arrangements are legal because they are part of its development policy for the area. The Americans say the arrangements have cost U.S. citrus exporters \$48 million a year in lost business.

The EC declaration urged the Reagan administration to reconsider any unilateral measures it might take to curb imports.

Nearly half of U.S. pasta imports come from Italy, according to EC figures.

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The ministers' statement called the threatened U.S. action "particularly ill-timed," in view of American efforts to persuade the Europeans that a new round of global trade liberalization talks should be started early next year.

The Reagan administration has complained that EC citrus trade arrangements with Mediterranean countries violate international trade rules because they do not provide equal treatment for American citrus exporters.

The EC contends that the arrangements are legal because they are part of its development policy for the area. The Americans say the arrangements have cost U.S. citrus exporters \$48 million a year in lost business.

The EC declaration urged the Reagan administration to reconsider any unilateral measures it might take to curb imports.

Nearly half of U.S. pasta imports come from Italy, according to EC figures.

Mr. Reagan is expected to decide Thursday whether to impose the

curbs in response to the EC's refusal to revise preferential agreements with 11 Mediterranean countries on imports of citrus fruit.

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## Walesa Says He Was Warned to Be Quiet

**Reuters**  
WARSAW — Lech Walesa, leader of Poland's banned Solidarity trade union, said he was told by prosecutors Wednesday to stop public attacks on government policies.

He told Western reporters that officials had informed him that if he continued to issue critical statements, he might find himself in a

different position and that "different measures" might be taken against him.

Mr. Walesa said he was summoned to the provincial prosecutor's office in Gdansk and told that he still was under investigation on the charges under which three senior Solidarity activists were sent to prison last week.

He said he did not speak during

the brief meeting at the prosecutor's office. Mr. Walesa handed over a text that said, "The trial of Wladyslaw Frasyniuk, Bogdan Lis and Adam Michnik has reinforced my conviction that there is only one form of dignified behavior before the courts, prosecutor or police — that is the refusal of any testimony or any conversation. Therefore, I refuse to testify."

Mr. Walesa said that officials mentioned a statement he made on June 11 during the trial of the three activists, who were sentenced to two and a half to three and a half years in prison for planning a 15-minute strike to protest increases in food prices.

That statement described the prosecution as "terroristic" and said that the circumstances of the trial "obliged me to declare that peaceful methods of struggle for reform of the state and for union freedoms are now threatened."

Mr. Walesa was interned for 11 months after Solidarity was suppressed under martial law in December 1981 but he has not been detained since.

**Michnik Issues Statement**  
Michael T. Kaufman of The New York Times reported from Warsaw: Mr. Michnik has said that his trial showed that "fascism has knocked on the doors of Polish homes." He made the statement in an eight-page letter smuggled from his prison cell.

Mr. Michnik, 38, said the court's muzzling of the defendants and the exclusion of observers signaled the trampling of judicial traditions. He charged that the presiding judge, Krzysztof Ziemiuk, had maintained close contact for years with the Polish security apparatus.

The rights of the defendants at their trial were squelched more crudely than in the past, Mr. Michnik wrote. He said this was shown by the open use of surreptitiously taped materials that were concealed in the past, by the use of only police officers as witnesses and by the barring of foreign reporters.

## Zhao Concludes European Visit

**Reuters**  
AMSTERDAM — Prime Minister Zhao Ziyang of China visited the Rijksmuseum and took a boat tour here Tuesday before his return to Beijing after a trip that also took him to Britain and West Germany.

During his four-day stay in the Netherlands, Mr. Zhao talked with Prime Minister Ruud Lubbers on bilateral and international affairs and signed an investment protection agreement.

Mr. Zhao said there were prospects of large orders for Dutch construction and agricultural companies in China and that his visit had strengthened ties that have been strained since 1980, when The Hague agreed to sell two submarines to Taiwan.

Mr. Zhao said he had been coaxed to implicate Bulgaria in the plot.

In all, three Bulgarians and four Turks have been charged along with him with complicity in the

## Agca Now Says a 3d Turk Was Present at Shooting

**The Associated Press**  
ROME — Mehmet Ali Agca testified Wednesday that a third Turkish conspirator was in St. Peter's Square the day he shot Pope John Paul II.

In previous testimony, Mr. Agca had insisted that the only other accomplice in the square on May 13, 1981, was Oral Celik, a Turk who has been charged as a plotter.

Mr. Agca also testified that he had met in prison with an Italian secret service agent who persuaded him to turn state's evidence. But he denied that he had been coaxed to implicate Bulgaria in the plot.

Mr. Agca said his real name was Omer Ay.

But when the judge showed Mr. Agca a police photograph of Mr. Ay, Mr. Agca said he was not the

shooting. Four of the defendants are being tried in absentia.

Under intense interrogation by Judge Severino Santapichi, Mr. Agca changed his earlier testimony. He said the third man in the square with him and Mr. Celik had been known as "Akif" and that he had been supposed to set off hand grenades to cause panic and cover the three men's escape.

Earlier, Mr. Agca said Mr. Celik had been carrying the grenades in a bag. But he said Wednesday that he had been lying.

Pressed to identify "Akif" further, Mr. Agca said his real name was Omer Ay.

Mr. Agca said he was not the third man. The picture was available in court because Mr. Ay had previously been investigated, no charges were lodged against him.

Mr. Ay was extradited from West Germany to Turkey and was sentenced to life by a martial law court in the southeastern province of Malatya for killing a leftist politician. Malatya is where Mr. Agca was born.

The judge also showed Mr. Agca a photograph taken by a tourist. Mr. Agca pointed to a face in the crowd and identified him simply as "Akif."

The man in the picture was looking to the spot where Mr. Agca said he and Mr. Celik had been standing before the shooting. All the others in the photograph were looking toward the pope.

In explaining in later testimony why he had decided to turn state's evidence, Mr. Agca said he was visited in prison by Francesco Pazienza, once an aide to the former head of Italy's military intelligence.

Mr. Pazienza escaped from an Italian prison but was captured last March in New York City. Italy is seeking his extradition to face charges of corrupting the secret services, espionage, revealing state secrets and criminal association with mobsters.

Mr. Agca said Mr. Pazienza had persuaded him to talk to the authorities with a promise of freedom and a French passport.

"But no one suggested anything to me," he said.

A gangster who turned state's evidence in another trial, Giovanni Pandico, asserted that Mr. Agca had been coached by Italian secret service agents and mob bosses to implicate Bulgaria and the Soviet Union in the shooting.

Mr. Agca is expected to continue testifying Thursday.

**Japanese Says U.S. Criticism Was 'Reckless'**

**Agence France-Press**  
TOKYO — Foreign Minister Shintaro Abe said Wednesday that a recent critical U.S. Senate resolution demanding a faster Japanese military buildup was "reckless."

Replying to questions from an opposition member in the lower house of parliament during a foreign affairs committee meeting, Mr. Abe said that the U.S. Congress failed to understand Japan.

On June 11, the U.S. Senate accused Japan of not providing sufficient resources to meet its basic military needs. The resolution coincided with a visit to Washington by Defense Minister Koichi Kato.

Mr. Kato told another committee that Japan would develop its military capability on its own initiative, not under U.S. pressure.

He said that Japan was drafting a five-year plan to achieve armament levels set in 1976, which set ceilings for a ground force of 180,000, a naval force of 16 submarines, 60 surface ships and 200 combat aircraft, and an air force of 430 aircraft.

**Marshal Moskalkenko Is Dead in Russia at 83**

**New York Times Service**  
MOSCOW — The Soviet Union's longest-serving marshal, Kirill S. Moskalkenko, 83, who helped develop the nation's strategic missile force, has died after a serious illness, Soviet television reported.

In an obituary signed by Mikhail S. Gorbachev, the Soviet leader, and other political and military figures, Marshal Moskalkenko was praised Monday for his long and varied service.

His military career started in 1920, when he fought with the Red Army in the civil war, and he worked his way to the nation's highest military rank in 1955. He commanded the prestigious Moscow garrison and then headed the strategic missile force.

Marshal Moskalkenko was politically active, serving as a member of the Communist Party Central Committee and, since 1946, of the Supreme Soviet, or parliament.

**Other deaths:**  
John Bonfield, 71, who teamed up with his twin brother, Roy, to make some of Britain's best-known films, including "I'm All Right Jack," Tuesday of cancer in a London hospital.

Szeleszt Kadoskai, 88, a former Japanese ambassador to both the Soviet Union and Italy, Tuesday of breathing complications at a Tokyo hospital.

Paul Colin, 93, one of France's most famous poster artists, Tuesday at his home in Nogent-sur-Marne.

## Mengele's Son Tells Magazine About Nazi's Life on the Run

**By James M. Markham**

**New York Times Service**

MUNICH — Josef Mengele, the Nazi war criminal, saw his son, Rolf, for the first time during a ski vacation in Switzerland in 1956, when the boy was 12 years old, according to information supplied by the son to a Munich magazine.

Three years later, the boy learned that the hard-skating "uncle" who had been introduced to him as Helmut Gregor was his father, according to Bunte.

In its issue appearing Thursday, the magazine reports that Josef Mengele, who was a medical officer in the Nazi SS on the Russian front and later at the Auschwitz death camp in Poland, was in hiding for four years after the war, working as a groom on a farm in Bavaria.

In 1949, the magazine says, he was detained briefly by the Italian police as he was making his way to South America.

For the last week, according to Bunte's editors, Rolf Mengele has been telling of his relationship with his father, who he says drowned in Brazil in 1979.

Mr. Mengele, 41, a lawyer in West Germany, was reported to have turned over to Bunte more than 30 pounds (about 14 kilograms) of notebooks, letters and photographs on his father's life.

In another aspect of the Mengele case, the Hamburg weekly magazine Stern said it had acquired more than 100 photographs of Dr. Mengele, letters, notebooks and philosophical musings and also three tape recordings of his voice.

(Stern published 11 photographs Wednesday of a graying man with a mustache in various relaxed situations in South America, playing with children, paddling a boat,

building a house and posing with Rolf Mengele.)

Günther Schönfeld, a spokesman for Stern, declined to say how the magazine had obtained the materials. But sources in Brazil and West Germany said that it purchased them from Wolfram and Liselotte Bossert, an Austrian couple who say they gave shelter to Dr. Mengele before, as they insist, he drowned.

Bunte says that Rolf Mengele supplied his testimony and the documents without charge, stipulating that any profits the magazine made be given to Auschwitz survivors.

The reputation and credibility of Stern were severely damaged in April 1983 when it published what it triumphantly announced as long-lost diaries of Hitler. They were quickly proven to be forgeries.

At Auschwitz in 1943 and 1944, Dr. Mengele stood on the ramp as trainloads of Jews arrived and waved those unsuited for labor to gas chambers and others to barracks for workers at plants. He carried out bizarre and gruesome experiments on prisoners.

Bunte makes these points about Dr. Mengele:

• While he was in hiding after the war he worked in Rosenheim for a farmer "who only wondered at how often the groom washed his hands."

• He was arrested in Genoa in 1949 but the police, after holding him for three weeks, released him "with friendly apologies."

• Rolf Mengele insists that, contrary to rumors, his father received no help from some Odessa-style underground organization of former Nazis nor did U.S. intelligence services aid him in forging a new life in South America.

• Hans-Ulrich Udel, a much decorated German pilot in World War II, who after the war became a vehement Hitler apologist and neo-Nazi chief, apparently intervened with General Alfredo Stroessner, president of Paraguay, to obtain citizenship for Dr. Mengele.

• The Mengele family always knew where the fugitive was and his father, Karl, visited him in Argentina. The father died in 1959. Hans Sedlmeier, a manager of the Bavaria-based Mengele farm machinery business, made "countless" visits to Dr. Mengele in South America.

• Dr. Mengele lived on about \$100 to \$150 a month while in South America. The family sent him money, but Rolf Mengele says he never did.

Illustrated by numerous photographs of Dr. Mengele in South America, the Bunte article sketches what it hints will be deeper treatment in a five-part series — and it carefully hangs its assertions about Dr. Mengele's life on its son.

It portrays Rolf Mengele as having had a strained relationship with his father, whom he is said to have met only twice — first during the ski vacation in Switzerland in 1956 and then in 1977 during a 14-day visit to São Paulo. Mr. Mengele reportedly told the magazine he flew to Brazil on a regular Varig Airlines flight under his own name.

"The man who stood before me in 1977 was a terrified creature," Mr. Mengele told Bunte, adding that his father was prone to depressive, fearful and suicidal moods.

Even so, according to the magazine, Dr. Mengele was unrepentant for his activities in Auschwitz, where he was estimated to have killed about 400,000 people to their deaths. In a letter to his son, Dr. Mengele declared that he had no need "to justify or at all apologize."

In a telephone interview, Andreas Hillgruber, a West German historian who inspected Bunte's documents, said that Dr. Mengele emerged as "an unreconstructed Nazi who holds to everything he did without regret."

"Everything speaks for their being authentic," said Mr. Hillgruber, an authority on the Nazi period. "If they were falsified something would have been done to make him more attractive — as was the case with the Hitler diaries."

## Red Brigades Suspect Is Arrested Near Rome

**The Associated Press**

ROME — Barbara Balzerani, known as Italy's most wanted person for her alleged roles in the murder of former Prime Minister Aldo Moro and the kidnapping of a U.S. general, was arrested Wednesday near here.

Miss Balzerani, 36, a leader of the Red Brigades urban guerrillas, has been sought for years in connection with a series of crimes, including the 1978 abduction and subsequent killing of Mr. Moro and the 1981 kidnapping of Brigadier General James L. Dozier.

The police said she was arrested at the apartment of a friend with whom she has been living in the town of Ostia, west of Rome.

They said they had raided the apartment after receiving a tip from a guerrilla who had turned police informant, identified as Giuseppe Castaldi.

Miss Balzerani was tried in absentia and sentenced to life imprisonment for the kidnapping and murder of Mr. Moro, a former president of the Christian Democratic Party and five-time prime minister. The sentence was upheld by an appeals court earlier this year.

Until she vanished in 1978, she had been directing the Red Brigades operation in the Milan area, police alleged.

Prosecutors have said she continued to play a leading role while in hiding, hatching plots that included the Dec. 17, 1981, kidnapping of General Dozier from his apartment in Verona. He was rescued by a police commando raid on Jan. 28, 1982.

Described as a key member of the "executive council" of the Red Brigades, Miss Balzerani has received numerous prison terms, including three life sentences for different crimes.

On Dec. 7, 1984, a Milan court sentenced her to life imprisonment for the assassination of three policemen. She also drew a life sentence for General Dozier's kidnapping, but an appeals court ordered that she and three others be retried.

Divorced from Antonio Marini, another Red Brigades leader, she was described until last year as a girlfriend of Mario Moretti, a founder of the radical group, who is serving a life sentence for the Moro assassination.

**Greek Soldier Dies in Mishap**

**The Associated Press**

SALONIKA, Greece — A Greek Army bomb disposal expert was killed Tuesday, and four soldiers were injured during an exercise in setting mines, military sources said.

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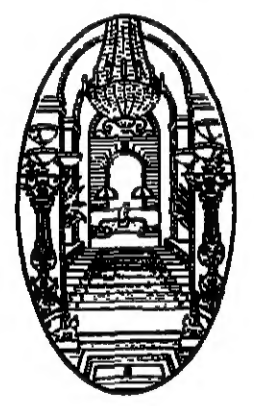
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## SCIENCE

## California Magma Pool May Prove Energy Source

By Walter Sullivan  
New York Times Service

**THREE-DIMENSIONAL** mapping of molten rock beneath the area east of Yosemite National Park in California has confirmed the existence of a chamber, filled with magma that is at least eight miles wide and six miles deep (13 kilometers by 10 kilometers).

The aim of the mapping was two-fold: to assess the likelihood of volcanic eruptions near the Nevada border and to evaluate the site's potential as an energy source.

Various oil prospecting techniques were used, as well as drill holes, to sample the buried struc-

tures and perform subterranean earthquake monitoring.

Small quakes that frequently occur in the area have been analyzed from surface stations to chart the buried magma chamber. Artificial quakes have been produced by one-ton chemical explosions and by lines of special trucks that set the ground vibrating at various frequencies.

The tests, described at a recent meeting of the American Geophysical Union in Baltimore, suggest that one part of the magma chamber may come within two miles of the surface. This is of special interest to the Magma Energy Technology Program of the U.S. Energy

Department, which is seeking to exploit such deposits as energy sources and is a co-sponsor of the survey.

The magma chamber lies beneath the Long Valley Caldera, a volcanic depression 20 miles long and 10 miles wide left by an explosive eruption about 700,000 years ago that buried 140 cubic miles of ash into the sky, blanketing much of the western United States.

Volcano specialists have found no reason to believe eruptions there are at an end. They emphasize, however, that despite continued swelling of the Long Valley Caldera and recurring earthquakes beneath it, including a moderately severe one in November, there are no indications that a great eruption is imminent.

Smaller eruptions within the past 1,000 years have left a five-mile row of craters, the Inyo Domes, extending northward from within the caldera. Tree-ring counts indicate that the last occurred 470 years ago. Extensive experiments aimed at understanding the mechanics of those outpourings were described at the Baltimore meeting by scientists from the Sandia and Lawrence Livermore National Laboratories, the U.S. Geological Survey and several universities.

Holes drilled obliquely into the Inyo Domes confirmed that the

domes were produced by lava flowing up through a single north-south fissure, leaving a buried wall, or dike, of volcanic rock.

The Long Valley Caldera has long been a focus of geological studies. In 1973 seismic surveys began to suggest that a large magma chamber lay under the caldera. Subsequently swarms of earthquakes and swelling of the caldera appeared to indicate that magma was flowing into the chamber, and in 1982 the Geological Survey warned that an eruption might take place.

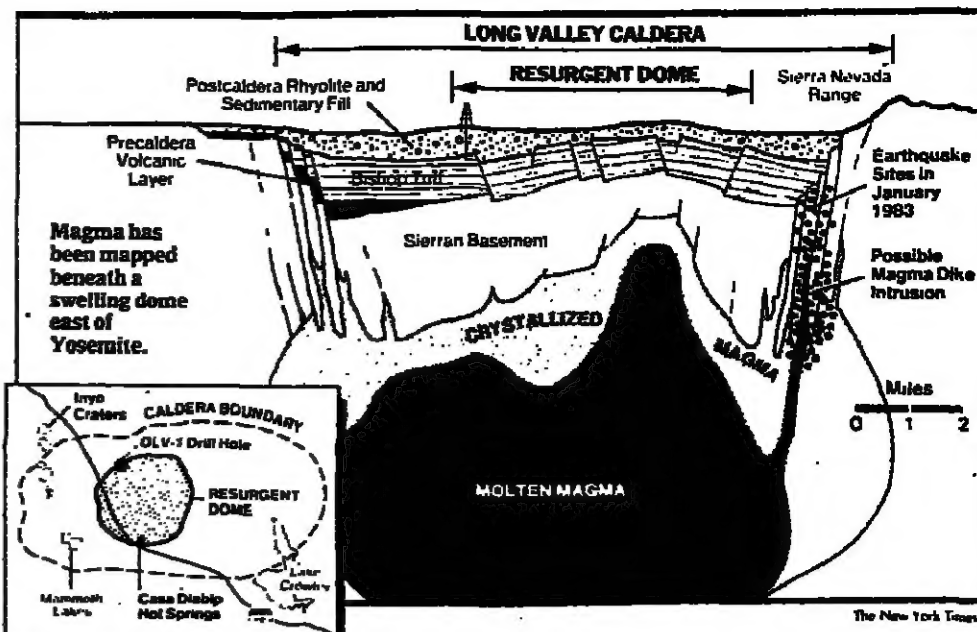
A central region of the caldera

floor six miles in diameter has risen as much as three feet (0.9 meter). Measurements along the Interstate 395 highway across the shoulder of this resurgent dome have shown that since 1975 the road has risen 17 inches (43 centimeters). Because the swelling has slowed and the earthquakes have subsided, the eruption alert has been withdrawn.

One goal of the research, as stated by Dr. John B. Rundle of the Sandia National Laboratories in Albuquerque, New Mexico, is to find out "what is driving the system." The area has long been a focus of volcanic eruptions. Some north of the caldera occurred about three million years ago.

In an interview, Dr. Rundle noted that the caldera was where the southern part of the Sierra Nevada front was sharply offset to the east. Along that front two distinct "provinces" of North American geology meet: the so-called Basin and Range Province to the east and the Sierras rising two miles high on the west. Unweathered rock along their base shows that they are still rising. The Long Valley eruptions and those that have occurred at Mono Lake, 18 miles to the north, seem related to the offset.

The caldera studies have used an exploratory well sunk by Santa Fe Geothermal Inc. 3,000 feet into the caldera floor as far as the Bishop



## Soviet Scientists Report Two Dinosaur Finds

United Press International

**MOSCOW** — Scientists have found the remains of dinosaurs that roamed what is now Mongolia's Gobi Desert 60 million to 70 million years ago, Tass reports.

A joint Mongolian-Soviet expedition has discovered the skeleton of *Tastacosaurus arylzovianus*, the official news agency said, calling the creature a "living tank with thick plates of stone armor weighing several tons." It said the scientists also found a huge skeleton of a tarbosaurus, a meat-eating reptile with sharp-toothed teeth.

## IN BRIEF

## Huge Undersea Volcano Discovered

**MENLO PARK, California (UPI)** — A huge underwater volcano and other features have been discovered by scientists working on the largest project to date to map the ocean floor.

Analysis of computer-generated pictures produced by a sonar imaging system during a 100-day voyage last year yielded "stuff that's never been seen before," said Dave Cacchione, one of eight U.S. Geological Survey scientists to make the trip last summer aboard the British ship *Farnella*.

The volcano, 15,000 feet (4,550 meters) beneath the Pacific Ocean off the Northern California coast — its crater is six miles (10 kilometers) wide — showed signs of geologically recent activity, researchers said.

## Fungus Studied as Chemical Eater

**EAST LANSING, Michigan (AP)** — Researchers working with white-rot fungus, which commonly decays dead trees, say the fungus also destroys dioxins, PCBs, DDT and other dangerous chemicals.

Steven D. Aust, the biochemist who heads the Michigan State University lab where the fungus was tested, said the theory that white-rot would break down toxic pollutants into harmless chemicals was formed about two and a half years ago when graduate students were studying the processes that enabled the fungus to break down lignin, a highly resistant natural substance in wood.

The fungus, *Phanerochaete chrysosporium*, broke down dioxins, DDT, benzopyrene and two kinds of polychlorinated biphenyls in experiments financed by the U.S. Environmental Protection Agency, Dr. Aust said. He said the results of the experiments would be published in *Science* magazine.

The fungus, which works very slowly, would not break down chemicals that have accumulated in humans or animals because it would be destroyed by antibodies, researchers said.

## Natural-Core Theory for Pyramids

**MOSCOW (UPI)** — A Soviet researcher claims that the Great Pyramids of Egypt are based on remnants of a small mountain range, the weekly Moscow News has reported. "My hypothesis boils down to this: Each of the big pyramids has a core of natural rock inside it," the researcher, Anatoli Vasiliev, said.

Dr. Vasiliev, who has never visited Egypt, dismissed claims that 2.5 million workers were used in the construction of the pyramids. "According to my calculations, big pyramids can exist only if they are built around a rock core," he said. "Without such a load-carrying structure, the pyramid would simply collapse."

## Pesticides, Parkinson Disease Linked

**MONTREAL (APF)** — Parkinson's disease, which leads to body spasms and muscle stiffness, is partly caused by excessive use of pesticides, according to a top Canadian researcher.

Andre Barbeau, head of neurobiology at the Clinical Research Institute in Montreal, said he found more victims of Parkinson's disease in agricultural areas sprayed with exceptionally high levels of pesticides. He noted that aging and genetics were other factors that caused the disease.

## Meteor Activity Tied to Halley's Comet

**MOSCOW (Reuters)** — Soviet scientists, still puzzled by a whistling, blazing fireball which swept over southern Siberia last year but appears to have left no trace, now theorize that increased meteorite and fireball activity are related to the approach of Halley's Comet, Tass reports.

The fireball appeared over the city of Tomsk in February 1984, a red flash so strong that it switched off automatic street lights. A scientific team searching the nearby Tunguska forest for debris or craters has failed to find anything.

Evidence suggests fireballs and meteorites may be linked to the coming passage of Halley's Comet, Tass said. In 1908, two years before the comet last passed Earth, meteorites and fireballs were seen in the same Siberian region as well as in Britain, European Russia and China, the agency said.

## Red Wine Called Worst for Migraines

**LONDON (NYT)** — Researchers have identified chemicals in alcoholic beverages that may account for the migraine headaches that are touched off by alcohol in some people. The chemicals — especially plentiful in red wine, the worst offender for migraine sufferers — inhibit an enzyme that deactivates substances that produce headaches.

A research team at Queen Charlotte's Hospital said many red wines can cause a complete inhibition of the enzyme but white wines have less of an effect. Among spirits, vodka and gin had the least effect and were less inhibiting than white wine or brandy. No relationship was found between a beverage's alcohol content and the extent of enzyme inhibition.

## Sea Animals Found at 4,000 Meters

**ABOARD THE NADIR, off Shimizu, Japan (APF)** — The deepest ocean colony of animals ever discovered, including crabs, snails and banana fish, has been found southwest of Tokyo at 13,200 feet (4,000 meters) by the French diving craft *Nautilus*.

The *Nautilus* is investigating the mechanism of Earth plate movements for a Franco-Japanese project dubbed Kaiko (undersea trench). Sea animal colonies are rarely found below 3,300 meters. The deepest found before now was near the Galapagos Islands, at 2,600 meters.

The man in charge of the venture, Xavier le Pichon, aboard the *Nautilus*'s mother ship, the *Nadir*, said: "We were very much surprised to find it in our third dive." Not all the items discovered were rare; they included a plastic bag with a popular cartoon drawing on it.

## Ancient Inca Grain Studied

**HUATAHUAYA, Bolivia** — A high-protein grain cultivated for centuries by Inca tribes in the Andes could help solve hunger problems in the Third World, according to a U.S. group that is marketing it.

A recent study by Texas A&M University said *quinoa* (pronounced keen-wa) was "about 18 percent high-quality protein" and "superior in food value to most other grains in the world." Wheat contains 11 percent protein and corn 3.5 percent.

"Quinoa can be grown in places with extremely poor soil but where malnutrition is rampant. It resists the most severe climates," Stephen Gorad, president of Quinoa Corp. of Boulder, Colorado, said during a recent visit to Bolivia.

Quinoa Corp. and Sierra Blanca Associates, a nonprofit organization, said quinoa could become a cheap, easily grown substitute for wheat, which many poor countries are hard-pressed to import.

Quinoa Corp. said that quinoa has been grown experimentally in eight western U.S. states, that planting was being expanded in South America and that tests were under way in Europe, Japan and China.

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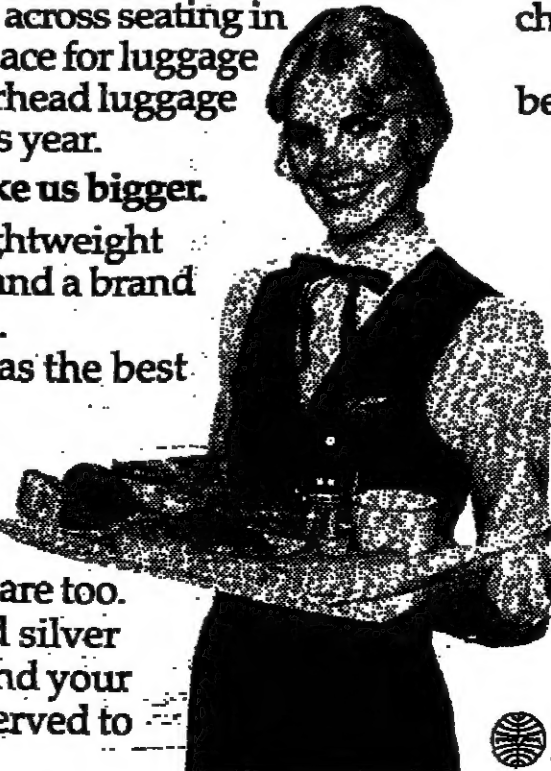
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# INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

## From Pretoria, Contempt

The South African government intensifies its campaign of force and threat against its neighbors. Just in the last few days its armed forces, claiming to be attacking guerrilla bases, invaded the capital of neighboring Botswana and coldly killed some 14 persons, including three women and a 5-year-old child. Then Pretoria proceeded with its long-remembered plan to set up a puppet regime, its alternative to internationally acceptable independence, in its longtime colony of Namibia.

The attack on Botswana makes plain why the existence of apartheid in South Africa is itself a source of danger to the region. South Africa has made no showing that African National Congress guerrillas were operating out of Botswana. It simply presumed to add one more mark of intimidation to all the others that have made life miserable for its neighbors over the years. The imperial arrogance of South Africa, its determination to flaunt its untested power, was on full view. But what it really demonstrates is the lack of self-confidence and the insecurity that lie not far under the readiness to go to the gun.

South Africa has spent decades failing to deliver on its promise to grant independence to Namibia, also a neighbor. In the Carter period it went the puppet-regime route, which led nowhere, and now it is trying again. There is always a fancy excuse; this time it is that

Cuban troops remain in Angola, to Namibia's north. But what South Africa does not say is that Cuban troops remain there to protect the Angolan government precisely against South Africa. Last month its commandos were caught about to sabotage the American-owned oil facility that is Angola's most valuable economic asset. Meanwhile, Pretoria continues to sponsor the Angolan insurgency led by Jonas Savimbi. The same lack of self-confidence is evident: a fear of the fact and example of self-rule by blacks not beholden to South Africa.

The United States responded to the raid into Botswana by calling the ambassador home. It boycotted the installation of the new setup in Namibia, which it had already denounced as null and void. The question is not whether these protests are right and sufficient. The question is why South Africa proceeds with policies — its repression at home as well as acts outside its borders — that trash the expressed opinions and urgings of the government whose favor is most important to it. It proceeds with them, moreover, as the U.S. Congress contemplates sanctions.

The evident answer is that South Africa has taken the U.S. policy of "constructive engagement" as a big wink. The policy was supposed to earn President Reagan a South African hearing for his counsel to reform, but what it has brought seems much closer to contempt.

—THE WASHINGTON POST.

## Austral Shock Treatment

To break disastrous inflation, President Raúl Alfonsín imposes a drastic remedy. He is running high risks and showing great courage. Whether he wins will depend on how Argentina's people react in the coming months.

The inflation rate, currently running about 1,500 percent a year, is the most immediately dangerous of the burdens that Mr. Alfonsín inherited from the incompetent junta that preceded him. At first he thought that conventional restraint and appeals to the public would be enough to control it. But the inflation rate has lately been accelerating, and Mr. Alfonsín has come to see that a failure to master it would end in a collapse not only of the economy but of Argentina's newly established democratic government as well.

To bring down inflation by the usual method of keeping money tight — the method that the United States has used in the past six years — would require in Argentina a recession of intolerable length and severity. Mr. Alfonsín has chosen a more radical alternative.

The immediate cause of inflation is a huge budget deficit. It has been running at well over 10 percent of GNP. (By comparison, the federal budget deficit in the United States is around 5 percent of GNP.) Mr. Alfonsín has declared that the Argentine deficit will come down to 2.5 percent of GNP in the second half of this year. That would be a greater achievement

than balancing the U.S. budget by Christmas. Mr. Alfonsín has abolished the peso and introduced the austral. The name is a reference to the south, Argentina's place in the world — a nicely calculated appeal to national pride. He has pegged its exchange rate to the U.S. dollar and set the short-term interest rates for borrowers at 6 percent. (Recently they have been running as high as 40 percent a month.) That is shock treatment on the grand scale.

One precedent that comes to mind is the currency reform in western Germany after World War II. But that was imposed by the allied military occupation, not, as in Argentina, by an elected government. Shock treatment seems to work only when a country is seized by a real sense of crisis. Circumstances in Argentina are not those of 1948 in Germany, defeated and suffering widespread destitution.

Some people in Argentina will probably fight the new program on grounds that it is unfamiliar and they fear losing money under it. They will be supported and abetted by others with very different reasons of their own. They want to see Argentine democracy destroyed. But inflation is debilitating the country, and not only its material standard of living. Shock treatment can succeed if Mr. Alfonsín succeeds in convincing a majority of Argentina's people that there is more at stake than money.

—THE WASHINGTON POST.

## College Sport in Trouble

After so many scandals in American college sports, you would think that a convention of the National Collegiate Athletic Association would be riveted on reform. But the agenda for a New Orleans meeting this week looks more like an exercise in damage control.

More than sports is at stake. In the last six months, Clemson has lost a president who could not bring the trustees and the athletic director to clean up the sports program; Tulane's basketball program was destroyed by a gambling scheme that may have involved drug dealing; Memphis State has been accused of failing to graduate a single black basketball player in more than 12 years. (It reportedly graduated only four whites in that time.)

Faced with pervasive corruption, the NCAA proposes a few adjustments. It would require annual audits of athletic budgets. It would reclassify rules violations as major and minor, depending not on ethical values but on the

"competitive advantage" gained. It would require schools that hire a coach with violations elsewhere to justify his employment.

These measures betray an awareness that corruption in athletics compromises the integrity of an entire academic institution. What is more, they fail to address any number of issues crying out for attention. Why, for example, should not freshmen be barred from varsity competition so that they can first adjust to college studies? Why should there be no firm limit on the length of basketball seasons?

The one encouraging note is that the 44 school presidents who convened this meeting are no longer willing to leave athletic decisions to coaches and athletic directors. They would be well advised to stand closely together. As the president of Clemson can attest, challenging the patrons and managers of big-time college athletics can be a risky business.

—THE NEW YORK TIMES.

## Other Opinion

### Ignoring Terrorists Backfires

Greece, in the person of her foreign minister, Yiannis Haralambopoulos, has blamed the United States for a "defamatory campaign" against her over her role in the TWA hijack drama. To accuse the Greeks of actively aiding or abetting terrorism would certainly be wrong. But it does seem to be true that Greece, like France and some other countries in the past, has preferred to take a passive line toward terrorism, hoping that this and its rela-

tively pro-Arab stand on political issues would prevent it from becoming a target. But Greece is now finding, as France found before her, that immunity cannot be bought this way.

We must hope that behind Mr. Haralambopoulos' bluster some urgent rethinking of Greek policy is going on, and that the government will not wait for the International Federation of Airline Pilots' Association to decree a boycott of Athens airport before it takes serious measures to improve security.

—The Times (London).

## FROM OUR JUNE 20 PAGES, 75 AND 50 YEARS AGO

**1910: Cuba and Spain Discuss Trade**  
MADRID — Don José Zulueta, member of the Cortes, will interpellate the Government at the Cortes on the matter of the commercial treaty with Cuba. This step is taken by pressure from the Catalonian merchants interested in the prompt end of the negotiations. These are being carried on in Havana by request of the Cuban Government, which has expressed a desire to favor Spanish demands when they do not endanger Cuban and American interests. Don Rosendo Fernández, who represents the Havana Chamber of Commerce in Spain, and also the cigar manufacturers, has presented to the Cuban and the Spanish Governments a report pointing out the concessions which can be mutually made without giving the least ground to protest to American commerce.

**1935: Senate Passes Social Security**  
WASHINGTON — The Administration's social security bill, embodying provisions for old-age pensions, unemployment insurance and other features, was swept to passage by the Senate [on June 19] by a vote of 76 to 6. The bill has been returned to the House, which passed it two months ago by a vote of 372 to 33, for approval of the Senate's amendments. The measure is regarded as the most important piece of legislation in the New Deal program not yet to be enacted. The bill constitutes one of President Franklin D. Roosevelt's first attempts to solve the machine-age problem by long-term planning. The features of the bill are fundamentally reform instead of recovery measures, designed to relieve as well as help prevent cyclical depressions.

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## Mozambique: Whose Interests Do Saboteurs Serve?

By Robert Jaster

ROCKPORT, Maine — In Mozambique a nasty little war is sputtering into its fifth year. Now, thanks to clandestine intervention from outside, it threatens to become bloody and prolonged, and to undermine the prospects for regional peace in southern Africa.

Last year, when Marxist Mozambique and apartheid South Africa signed a nonaggression pact — the Nkomati accord — it was hailed as opening a new era in relations be-

no political base or deep roots among the Mozambican people, nor a coherent political program.

It was set up in 1976 by the Rhodesian intelligence service from a group of Mozambican refugees, mostly ex-military of the Portuguese colonial forces. The Rhodesians armed them and sent them back into Mozambique to harass Robert Mugabe's guerrillas, who were attacking Rho-

did so, President Samora Machel would almost certainly be forced to call on the Soviet Union for more counterinsurgency arms and military advisers, thereby further dimming the prospects for regional détente. This scenario would be good news for the Russians but not for the West.

Is it in the West's interests, then, to join South Africa in supporting the Machel government? President Ma-

ministers and promoted his chief negotiator at Nkomati. The Russian boycott of the 1984 Olympics did not prevent Mozambican athletes from competing in Los Angeles. Finally, Mr. Machel has sought Western military instructors for his armed forces.

Western leaders should make clear, through public statements and offers of assistance, that they support the present government and oppose efforts to destabilize it. A strong demarche should be made to governments thought to be bankrolling Renamo or encouraging others to do so. A demarche to Pretoria might bolster its commitment to Nkomati, and weaken any vestigial support for Renamo among the bureaucracy.

Beyond that, the West should tender its good offices to enhance President Machel's offer of amnesty for Renamo guerrillas, and to make that offer a more attractive option than continuing the fighting.

The writer is a 1983-86 research associate with the International Institute for Strategic Studies in London and has a book on Namibia scheduled for publication next month by Harvard University's Center for International Affairs. He contributed this comment to the International Herald Tribune.

After losing its South African sponsors, Renamo recently picked up a shadowy group of clandestine backers elsewhere.

tween South Africa and its neighbors, and as a model for the region. Under its terms Mozambique expelled the African National Congress, which had been using Mozambique as a staging area for guerrilla attacks against South Africa. In return, Pretoria expelled the Mozambican National Resistance (Renamo), whose guerrillas had been trained, armed, financed, and directed by South Africa to conduct raids inside Mozambique. Shortly after the accord was signed, South Africa — apparently as a sop to its military, which had run the Renamo operation — rushed 1,500 armed guerrillas and large quantities of equipment into Mozambique. Since then, however, both states have honored the accord.

But Renamo, after losing its South African sponsors, recently picked up a shadowy group of clandestine backers elsewhere. Among the allegedly bankrolling its current activities are two foundations in West Germany, two Portuguese businessmen who had extensive holdings in pre-independence Mozambique and an Arab potentate who apparently hopes to see an Islamic republic established in northern Mozambique.

Flush with this growing support, and with its final "golden handshake" from South Africa, Renamo recently intensified operations. From its previous hit-and-run raids against remote farms and outposts, it has moved to large-scale sabotage and armed attacks in every province, frequently cutting off the capital itself.

Should Renamo's growing success be seen as favorable to Western interests? The overthrow of Mozambique's Marxist government would be a clear setback for its patron and chief arms supplier, the Soviet Union. Its replacement by a non-Marxist government would seem to be pure gain for the West.

To accept this argument, however, is to ignore the reality and dynamics of regional politics.

Renamo is not a legitimate national movement. Unlike the UNITA insurgency in Angola, which draws its strength from the numerically dominant Ovimbundu people and which earned its nationalist credentials fighting the Portuguese, Renamo has

desia from Mozambican bases. When Zimbabwe became independent in 1980, Renamo fled to South Africa, whose Military Intelligence Section became its new boss until the Nkomati accord was signed.

Operations by Renamo's largely mercenary force would fade, perhaps rapidly, were its financial support cut off. But what if it continues? The fighting will escalate, undermining the Nkomati pact and spilling into neighboring states.

So far Renamo has not seriously threatened the regime's survival. If it

chief's policy changes in the last few years suggest that it is.

Disillusioned with its ties to the Communist states, Mozambique has been moving toward the West: joining the IMF and the World Bank, breaking up the East Bloc-managed state farms and parceling them out to small farmers, encouraging Western investors and linking the economy more closely to South Africa.

Politically, too, Mr. Machel has shown growing independence from the Soviet Union. He recently demoted three hard-line Marxist cabinet

## Maputo Has Begun Looking Westward

By Melvin R. Laird

WASHINGTON — During the past two decades we have seen several African nations turn away from Soviet models and political allies — Egypt, Somalia, Guinea, Mali, Cape Verde, Guinea Bissau and Madagascar. Now the United States has the opportunity to reverse Soviet influence in the self-styled Marxist nation of Mozambique.

I recently accepted a State Department invitation to head a trade mission there. Our talks with President Samora Machel and his government made plain that Mozambique needs and wants Western and especially U.S. investment. I believe it is in America's interest to provide it.

With the end of the Portuguese empire in 1975, Soviet-backed liberation movements took power in Angola and Mozambique. The new regime in Mozambique, its own problems unsolved, supported guerrillas operating against the Ian Smith regime in Rhodesia and against South Africa. Rhodesia retaliated by helping to set up an insurgency — the Mozambican National Resistance, known by its Portuguese acronym as Renamo.

Thus began a cycle of cross-border violence that continued even after the establishment of a black-led regime in Zimbabwe, the former Rhodesia. For Pretoria then offered bases and support to Renamo within South Africa's borders. Increasingly frustrated by African National Congress operations launched from Mozambique,

South Africa began to mount land and air operations in Mozambique. By 1982 a combination of drought, guerrilla destruction, South African raids, the loss of Western and South African economic investment and technical expertise and the failure of the Russians to make up that loss had reduced Mozambique's economy to a shambles. Mr. Machel made a basic decision that his country could no longer bear the brunt of a military confrontation with South Africa.

President Reagan saw that as long as the level of cross-border violence remained high, Moscow would have opportunities to expand its influence, but that a decision in the region to seek a diplomatic solution and concentrate on economic development would serve the U.S. interest. Only the United States had the relations with all parties that would allow it to mediate. And only it and its Western allies had the private sector, technical expertise and development aid to offer countries such as Mozambique the hope of building their economies.

Washington helped bring South Africa and Mozambique together to discuss their problems. In March 1984 they signed the Nkomati accord. Mozambique, against the wishes of the Russians and most other African states, carried through on its commitment to close ANC bases.

South Africa officially cut off support for Renamo, but apparently made a major arms delivery. This "golden handshake" enabled Renamo to intensify its activities.

South African-sponsored talks aimed at a cease-fire between Renamo and Mozambique ended agreement in October 1984, when, for reasons that remain obscure, Renamo walked away from the table.

South Africa recognizes that its basic interest lies in having a stable regime on its borders and that the Machel government could provide that stability, while Renamo could not. Pretoria has steadily increased economic and security cooperation with Mozambique and has spoken out increasingly about the negative effects of Renamo's activities.

The overall voting record of Mozambique at the United Nations is not what the United States had wanted, but its position on 10 key votes improved substantially during the last session. The United States is receiving enhanced treatment in the Mozambican press, and its assistance efforts are highlighted favorably.

Mozambique has signed an agreement with the U.S. Overseas Private Investment Corporation and published a business code designed to attract Western investment. Some state-run industries are being sold to private entrepreneurs. The United States has been helping to encourage a balanced relationship that includes diplomatic contacts, private investment, trade, economic and humanitarian assistance and a modest military training and assistance program.

There are those who argue against dealing with a self-styled Marxist state. I disagree. The only way to advance U.S. strategic goals in the Third World is to compete in relevant ways — on the ground, through programs, presence and diplomacy. The United States should be ready to respond constructively to openings that advance its interests at any time.

The writer, U.S. secretary of defense from 1969 to 1972, contributed this comment to The Washington Post.

## Japanese Courtesy Is Good Business

By John A. Cicco Jr. and Richard D. Snyder Jr.

NEW YORK — Western corporations often admire Japanese business techniques, but it is interesting that what may well be the most subtle but most powerful weapon in Japan's management arsenal has gone largely unnoticed.

It is so basic and simple that it cannot be copyrighted or patented; and so uncomplicated that consultants can't make money teaching it. Yet it seduces foreign businessmen and trade negotiators.

This beautifully plain but critically important secret is nothing more than simple courtesy.

Not the plastic politeness that retailers too often show to customers in America. Not the pandering attitude that service types too often show to clients. And certainly not the perfunctory "have a nice day" that telephone operators squeeze into rushed responses to callers.

In Japan, lack of courtesy is the one unforgivable sin — it can cause almost immediate banishment from the Garden of Lifetime Employment. Deeply ingrained courtesy is not limited to sales clerks, waitresses and taxi drivers. Even the most senior executive, phoning an associate, will patiently spend several minutes asking how he is, how the family is or how his back feels, before dealing with whatever business may have prompted the call — regardless of its seeming urgency.

As the Japanese explain it, whatever the problem may be, it is the relationship with the other person that will be the basis of its solution.

So the relationship, not the problem, deserves primary attention.

By contrast, perhaps the greatest weakness in Western organizations' structure and in their dealings with customers and constituencies is a lack of simple courtesy. We have all dealt with companies and bureaucracies that, after going to great efforts to get us to use their products or services, give us an obnoxious sales clerk, waitress or someone else who leaves us feeling that we have intruded on their day. This discourtesy not only threatens the intended transaction so carefully encouraged by marketing and public affairs personnel, it also discourages future transactions.

The problem runs far deeper than the obvious "get good people to deal with the public." It rests basically with an aloof management class that avoids personal contact except under the most controlled conditions. This is a class well schooled in good manners but woefully illiterate in basic civility.

Inazo Nitobe observes in "Bushido: The Soul of Japan": "Politeness is a poor virtue if it is actuated only by a fear of offending good taste, whereas it should be the outward manifestation of a sympathetic regard for the feelings of others."

Managerial training can fail miserably to instill the necessary "sympathetic regard for the feelings of others." Just as in the court of Louis XIV, while there is constant dwelling on proper etiquette and manners, lack of courtesy spawns

corrosive resentment and hostility. So institutions install elaborate communications systems to improve personal contact, only to have them stopped up by executives who have learned never to return calls too quickly. They develop expensive advertising programs only to have them break down because an impatient 34-hour sales clerk is rude. They schedule tedious behavior-modification seminars that teach clever manipulation rather than the value of simple respect.

In America, lack of courtesy does not arise from some natural flaw in the national personality. Americans are normally friendly people. The problem seems to derive from the large size of institutions and the prescribed, technocratic management persona of busy importance that requires aloof inaccessibility.

There is hope, however. Not too long ago there was a brief flash of healthy courtesy among even the most pompous of organizations. As firms floundered during the last recession, organizational pretense broke down and basic camaraderie emerged. But as crises pass and old habits slowly return, an important economics lesson may be too quickly forgotten: Discourtesy is not only not very nice, it is an intolerably inefficient luxury that no business nor society can long afford.

Mr. Cicco is president of a management consulting firm and Mr. Snyder is an associate. They contributed this comment to The New York Times.

## LETTERS TO THE EDITOR

### An Idea for Our Time

"An invasion of armies can be resisted, but not an idea whose time has come," Victor Hugo wrote in 1852. That is a good comment on Arnold Hammer's opinion column, "A Reagan-Gorbachev Initiative" (June 17).



Maybe the time has indeed come. Maybe a cooperative spirit is not such a far-fetched idea after all. Congratulations for spreading the rumor, anyway. Valentin Anesia's drawing.

## A New Era For Politics In America

By David S. Broder

WASHINGTON — Until something better comes along, I am prepared to nominate "The New Direction of American Politics," a volume soon to be published by The Brookings Institution in Washington, as the most convincing interpretation yet presented of the Ronald Reagan era in American government.

The 400-page study by 15 scholars, edited by John E. Chubb and Paul E. Peterson, makes a persuasive case that what we are witnessing is historic — one of those big swings or "realignments" that serve as landmarks in America's development.

The editors and the two authors of the chapter on political parties, Thomas E. Cavanagh and James L. Sundquist, are careful to say they are not predicting long-term Republican dominance of national government.

They do say that the Republicans have advantages that reach well beyond the personal appeal of Ronald Reagan: the tilt of the electoral college to the West and the South, the superiority of their national fundraising and political organizations, and the growing tendency of swing voters — especially young ones — to think of themselves as Republicans. But the authors readily concede that in certain circumstances and with the right candidates, Democrats may be able to win national elections.

The book lifts the argument about the significance of "the Reagan revolution" out of the swamp of speculation about the 1986 and 1988 elections and deals with the phenomenon that has already occurred. It is particularly helpful in clearing up the puzzle that many of us who cover politics have felt about the seeming immutability of the Democratic majorities in the House of Representatives and state and local government.

The sensible suggestion is to think of an ocean wave breaking on a sea wall. The wave is the tide of voter sentiment that throws one party out of office and installs the other. The leader of the incoming party (Mr. Reagan, in this case) has the responsibility to devise policies that meet the public demand. If he does, as Mr. Reagan did in his first term, the first wave may be followed by another, even more powerful. The 1984 election was that second wave.

But even after that second wave, the Democrats are more strongly entrenched in the House and in state and local government than when Mr. Reagan was first elected. How can this be a political realignment?

The book's answer is to think of the sea wall as the institutional framework against which the big waves are pounding. The stronger the wall, the longer it takes to break through.

Two points help clarify the picture. The first is historical. The older the nation, the stronger its institutional structure. The shift of power from the Federalists to Jefferson's Democratic-Republicans was so traumatic that the air was filled with charges of treason, and institutions almost cracked. A bit later, the rise of the Republicans helped bring on the Civil War, and the Union dissolved.

The second point is structural. The presidency and to a lesser extent the Senate become the immediate focus of change because they are seen as the most powerful parts of the government. Contests for their control are so competitive that shifts in popular sentiment register quickly and strongly. By contrast, members of the House have built up individual defenses against political risks, using their influence over districting decisions, service functions and access to communications and campaign finances to insulate themselves.

There are two implications in this analysis, both of them encouraging to Republicans. One is that if you accept the wave and sea wall analogy, then you have to think that as long as the Republicans provide policy changes that meet the public mood (tax reduction and simplification, for example), they will continue to make inroads against the institutionalized Democrats. (Be ready for Republican gains in governorships in 1986, I say.)

Second, once the sea has broken through, do not expect to see the same shoreline again soon. As Mr. Chubb and Mr. Peterson say, "The terms of political debate and the course of public policy have been fundamentally transformed.... An economic downturn or a foreign policy reverse may rejuvenate the Democrats, but the policies they once proposed will not be as resilient. Big deficits, strong defense commitments and doubts about the welfare state will shape the political and policy future — whatever the fate of parties or presidents in particular elections."

The Washington Post.

### Athens Airport Faulted

Again a plane from Athens has been hijacked. Greek authorities have the duty to prevent passengers from boarding planes with weapons. I for one will not board any plane picking up passengers in Greece.

HENRY JULIUS, Geneva.

### Chateaux Defended

Regarding "Dining in Chateaux: Lost in the Salt" (June 14): Jean Barden's cuisine is worth the trip. A recent dinner was as near to perfection as one can attain. The seasoning was excellent, and Mr. Barden kept a light touch with the salt. Critic Patricia Wells must have visited the restaurant on a bad day.

SUZY PATTERSON, Paris.

### Why the Sp...

MADRID — Don José Zulueta, member of the Cortes, will interpellate the Government at the Cortes on the matter of the commercial treaty with Cuba. This step is taken by pressure from the Catalonian merchants interested in the prompt end of the negotiations. These are being carried on in Havana by request of the Cuban Government, which has expressed a desire to favor Spanish demands when they do not endanger Cuban and American interests. Don Rosendo Fernández, who represents the Havana Chamber of Commerce in Spain, and also the cigar manufacturers, has presented to the Cuban and the Spanish Governments a report pointing out the concessions which can be mutually made without giving the least ground to protest to American commerce.



# SPAIN

A SPECIAL REPORT

THURSDAY, JUNE 20, 1985

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## Booming Tourism: Its Image Changes

MADRID — The Spanish tourism boom that amazed the world by drawing as many as 22 million visitors a year to Spain in the 1960s is still booming.

Spain greeted 40 million foreigners last year, one for every Spaniard, and they brought \$7.2 billion with them.

"We calculate that we got nine percent of all tourists traveling internationally," said Ignacio Vasallo, director of promotion for the Spanish Tourism Secretariat.

That percentage is expected to translate this year into \$8 billion for Spain. After a few years of slow growth due to the international oil crisis, construction in the tourist sector is moving ahead, too, with the accent on quality.

"We want all new construction to be of top category," Mr. Vasallo said. "We want to build only hotels that are five-star, the highest official rating given to hotels in Spain."

Not by coincidence does the World Tourism Organization, a United Nations agency that promotes tourism by providing technical assistance to developing countries, have its headquarters in Madrid. Spain, recognized as an authority in matters pertaining to tourism, has its own Official Tourism School whose students currently include 64 foreigners on scholarships funded by the Spanish government.

Spain has been exporting its tourism know-how for years and this now involves the techniques of 1980s-style big business.

To tell the world about timeless Mediterranean beaches, castles built by Crusaders and high Pyrenees mountain passes, Spanish tourism officials have quietly slipped into a new world of computer-generated marketing studies and highly sophisticated advertising campaigns.

"We have changed a lot since 1983, when we drew up a world marketing plan and realized that what we needed first was a corporate logo," Mr. Vasallo said. "We asked Joan Miró to create one for us and he did, giving it to us shortly before his death in December 1983 at the age of 90."

The Miró logo is colorful and exuberant, depicting a stylized sun in red and yellow, the colors of the Spanish flag, accented by black, set off by a starlike shape that looks like a bouncy asterisk, above somewhat antic letters that spell out "ESPANA." It now appears on Spain's tourism brochures and posters.

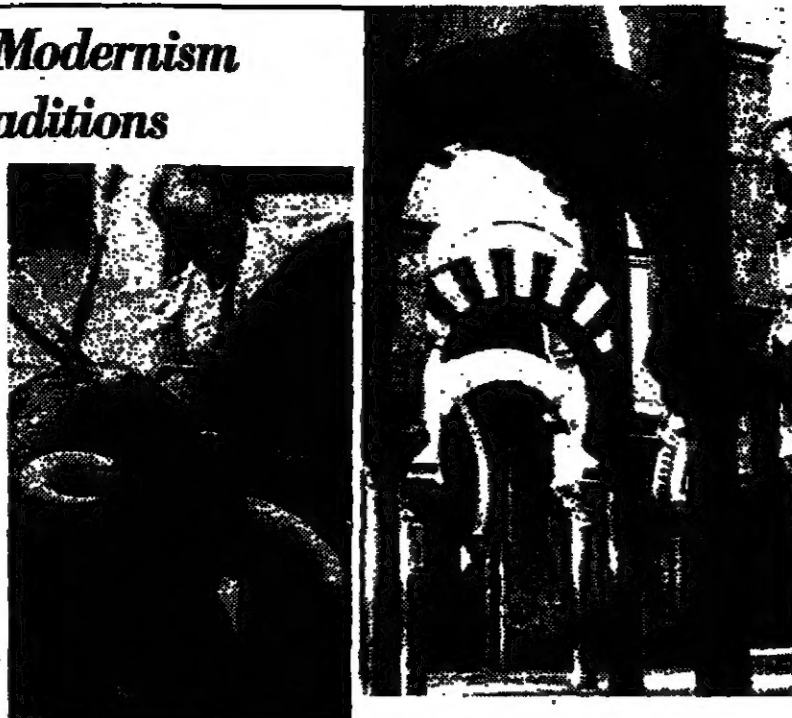
Detailed marketing plans are drawn up yearly for each of the 11 nations that, since the first mass tourism of the 1960s, have accounted for almost 95 percent of Spain's foreign visitors. These are the United States, Britain, West Germany, France, Belgium, Italy, the Netherlands, Sweden, Finland, Norway and Denmark.

Tourism from the United States has grown from 700,000 in 1982 to almost 950,000 in 1984 and is expected to continue its growth.

(Continued on Next Page)

## Fusing Modernism And Traditions

Bullfighting and the tradition that surrounds it is back in style, and the arenas are full (Page 11). Córdoba and its Mosque provide a window on early Spain (Page 8).



Members of Madrid's postmodern movement keep the capital's chroniclers busy (Page 8). Meanwhile, the government focuses on foreign investment and industrial growth. (Page 10).

## Water and the 'Myth' of Agricultural Potential

By Barbara Bell

ALMERIA — Mamel Escánez, a farmer like his father before him in this dry region of southeastern Spain, sliced open his first melon of the season as he stood in a plastic-covered greenhouse and spoke of his feelings about joining the European Community.

"I think that this will be a good thing," he said hesitantly. "I don't understand much about politics but I see on television that they are putting a lot of problems in our way."

"And I understand that with the limitations they are setting for us, our situation will be almost worse at the beginning than it is now."

"They," of course, refers to negotiators from the EC who, with Spanish representatives, have drawn up the long and complicated clauses of the treaty governing Spain's entry into the community, which is to take place after a target date of Jan. 1, 1986.

Fears that Spanish fruit and vegetables would flood the markets of other EC members, ruining their own agricultural sectors, led to tense negotiations that resulted in quotas and other restrictions covering a 10-year transition period.

Spanish agricultural experts say that during the first four years of Spain's membership the restrictions will leave many Spanish farmers worse off than they are now in European competition with non-EC nations like Israel, Tunisia and Morocco.

Officials as well as farmers say that European fears of the "myth of unlimited Spanish potential" in agriculture are groundless.

Spain's agricultural sector last year accounted for 3 billion pesetas, 7 percent of the gross national product.

There were 1.76 million people employed in agriculture, almost 13 percent of the Spanish labor force of 13.25 million.

"We have a very diversified type of agriculture, but also one fundamental problem: We lack water," said Pablo Conejo of the Agriculture Ministry.

"That plus land limitations severely restricts our agriculture, which we have been telling the other countries of the EC for years, ever since Spain applied for membership in 1977 and all through the negotiations that began officially in 1979."

Mr. Escánez's roughly built greenhouse near Almería, the eastmost town of any consequence in Andalusia, has been a focus of EC fears, his and thousands of others like it.

For Almería, one of the driest but also sunniest places in Spain, is the site of a phenomenon some refer to as the "Spanish agricultural miracle."

Less than 20 years ago, the first experimental plot "under plastic," as the method is often described, was planted here by Mr. Escánez's uncle with the help of the Institute for Agrarian Reform and Development, linked to the Agriculture Ministry.

To the experimenters' delight, vegetables grown in the *invernadero*, or hothouse, were ready for market a full month earlier than the same crops grown outdoors, and suddenly everyone wanted a taste of the success.

In 1968, there were only 30 hectares (74 acres) cultivated under plastic in Almería province. That had jumped to 1,114 hectares by 1971 and to 7,150 hectares in 1980.

Now, there are 10,000 hectares covered by *invernaderos* and the daily flight from Madrid to Almería arrives over a sea of plastic reflecting the sunset more brightly than the real sea nearby.

Virtually all of the fruit and vegetables grown here, which include peppers, cucumbers, green beans, melons and smaller amounts of avocados, garlic and strawberries, are shipped to market fresh. Some 20 percent to 25 percent of that goes to foreign countries, usually by refrigerated trucks, which can speed a melon picked in Mr. Escánez's hothouse tonight to a table in France tomorrow.

Tomatoes are the principal crop, with an average annual production for the province of 340,000 tons, but at this time of year the last vines, trained up to a plastic cord strung two meters high, are being torn out in another of Mr. Escánez's hothouses.

"We planted tomatoes here late last August and began picking them for market October 25," he said.

That advance over the growing season for most European farmers sounds almost too good to be true (Continued on Page 9)

## González Cultivates His Garden With Sure Political Hand

By Tom Burns

MADRID — A previous resident of the Moncloa Palace, the official home of the Spanish prime minister, had a swimming pool installed in the gardens. Felipe González has, characteristically, done something quite different. He has had part of the grass lawn on the deep-end side of the pool dug up and a cabbage plot laid down. A private lunch with the prime minister includes a tour of his vegetable garden.

Mr. González takes pride in pointing out how well his cabbages and his onions are doing and he explains at length his experimental cultivation of strawberries on sand soil and under plastic using drip-watering techniques. He says he spends as much time as he can in his garden.

The visitor may be impressed by the prime minister's agricultural skills but the lasting impression is of a different kind. Consciously or not, Mr. González gives out a message with his cabbage-plot tours: He has set down firm roots in the Moncloa Palace and he looks set to stay there.

As Mr. González, 44, enters the final stretch of his four-year mandate, few in Spain would quarrel with such an impression. The prime minister has survived midterm voter disenchantment and both his government and the Socialist Party that he leads have remained united despite broken electoral pledges and a single-minded pursuit of economic austerity policies.

Opinion polls over the past year have consistently given Mr. González an approval rating of more than 40 percent. The Socialist Party has at all times maintained an advantage of at least 10 points in opinion surveys over the conservative opposition, the Alianza Popular. Less than 20 percent of people polled

say they would prefer Manuel Fraga Iribarne, the Alianza Popular chairman, as prime minister. In fact, the most popular politician after Mr. González is not Mr. Fraga, but Mr. González's closest political associate, Deputy Prime Minister Alfonso Guerra.

Mr. González has indicated that he will hold elections in June next year, four months short of the expiration of his term in October 1986. and the likelihood is that the Socialist Party will regain an outright majority and that Mr. González will have a new four-year term. The honeymoon period of the Spanish people with *felipismo*, as González-style government has come to be called, is far from over.

The evidence of continued support for Mr. González appears objectively to be at odds with the continual rise in unemployment and the cuts in real income over the past three years that have resulted from the Socialist government's strict adherence to budget-deficit control. Key promises in the 1982 Socialist election manifesto concerned job creation and the maintenance of purchasing power. Yet a recent poll of jobless Spaniards discovered that the overwhelming majority supported Mr. González and endorsed his economic policies.

Mr. González may have failed to "put Spain back to work," as he promised in his campaign tour in 1982 — there are fewer Spaniards at work now and many more unemployed than when he came to power — but the prime minister has played two trump cards that give him a strong hand: His mandate has provided Spain with a firm and united government and, during his term of office, Spain has entered Europe.

Stability constitutes a very high political capital in Spain. The undoing of the Union of the Demo-

(Continued on Page 10)



Tending crops in Almería's hothouse farms.

## Why the Spanish Have Trouble With the French

MADRID — Ask a Spaniard about his country's relations with France and he is likely to burst out laughing, because historically, those relations have been so bad from the Spanish point of view that his choice is to laugh about them or cry.

When he visits the Prado Museum, he sees Spanish patriots rising up in 1808 against Napoleonic invaders and later falling before their guns in Goya's paintings of the "Dos de Mayo" and "Tres de Mayo." In the years following the death of Franco and the installation of a democracy in Spain in 1975, he read of Basque terrorists operating on Spanish soil from bases in France, apparently unhindered by French authorities.

Later came the "fishing wars" between Spanish and French vessels and, mainly in 1982 and 1983, attacks by French farmers on trucks and train cars carrying Spanish fruit and vegetables across southern France. Vehicles were burned and hundreds of tons of produce destroyed.

Most recently, the average Spaniard has been irritated by what was perceived as French efforts to block Spain's entry into the European Community. Negotiations culminated at the end of March, after a series of late-night sessions, in agreement between Spain and Portugal and members of the EC. Even Spaniards with respect and affection for France describe France's posture in the talks as "frankly obstructionistic."

Small wonder, then, that in a public opinion poll published last month by the Spanish newsweekly "Cambio 16," 40 percent of the more than 1,200 Spaniards questioned named France as the Common Market country they disliked most. Far behind in second place as most disliked came Britain, with 15 percent. As their most-liked EC country, 24 percent

chose West Germany, the leader, but only 6 percent named France.

While expressing amusement over the survey, several people in Madrid commented that in addition to concern about truck burnings and EC negotiations, the results probably reflected some degree of hostility common to all countries that share borders. "Problems between neighbors are always experienced with special intensity," one person said.

40 percent of the more than 1,200 Spaniards questioned named France as the Common Market country they disliked most.

Santiago Salas, a Spanish Foreign Ministry official, said, "Actually, from a political point of view, relations between Spain and France have entered a very positive phase and the rapprochement between them in the past two-and-a-half years has been spectacular."

One of the first foreign policy decisions made by the Socialist government of Prime Minister Felipe González on its formation in December 1982 was to launch a concerted effort, an "offensive," one source said here, to improve Spain's relations with France. Foreign Minister Fernando Morán flew to Paris that month for a meeting with French offi-

cials at which it was agreed to deal with specific irritants between the two countries within the context of shared concerns and mutual interests.

Most political observers in Madrid feel that the "brotherhood in socialism" of Mr. González and President François Mitterrand has facilitated bilateral understanding on both personal and governmental levels. In any case, France finally supported Spain's bid to enter the EC, clashes between fishermen and farmers of the two nations have become rare and meetings between Spanish and French foreign ministers, with participation by other officials, are held twice a year, the last one in Barcelona in October.

Mr. González has visited Paris several times and King Juan Carlos and Queen Sofía are expected there on an official visit July 8-10.

The single event that most symbolized a radical change by France in its attitude toward Spain, Mr. Salas said, "was its extradition of three members of the Basque separatist group ETA in September 1984. During the time of Franco, the justification for sheltering such terrorists was that they were fighting for freedom against a dictatorship, but with the formation of a democracy in Spain, that was no longer valid. France now cooperates greatly with the Spanish government on this problem."

At the moment, the rivalry between the two countries centers on the 1992 Summer Olympic Games, for which Barcelona and Paris are candidates along with Amsterdam and Brisbane. France and Spain are also competing to have the first European Disneyland, with the French backing a site east of Paris at Marne-la-Vallée, and the Spanish proposing space on the Mediterranean coast near Alicante or Barcelona.

— BARBARA BELL

# SPAIN, AN ENTIRE COUNTRY BEHIND THE TELEPHONE

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## A SPECIAL REPORT ON SPAIN

## Córdoba: Philosophy in Pillars, Flowers

CÓRDOBA — The Mosque, with its forest of pillars spanned by arches of red brick and white masonry, just celebrated its 1,200th birthday. The fountains still play in the gardens of the fortress where King Ferdinand and Queen Isabella met with Columbus before he set out for the New World, but the biggest wonder here is the city itself.

Córdoba, founded as a Roman colony in 169 B.C. and the birthplace of the Roman philosopher Seneca, was conquered by Moorish troops in 711 and made an independent emirate in 746. It was as an Arab capital that it flourished, becoming in the 10th century a center of learning, excelling in science, mathematics, philosophy and poetry.

It has been written that it then contained "1,600 mosques, 900 public baths... 213,077 homes for the general populace, 60,300 mansions for nobles and 80,455 shops."

Córdoba today is quintessential-

Andalusian, a city of 285,000 with its massive Roman bridge astride the Guadalquivir River, its huge Mosque, the rough walls pierced by Arab gates and a fanciful bell tower dominating the sprawling and well-preserved old quarter, with its cobbled streets and flower-filled patios. But for all its flair, the people of this city add a character that they say is more serious than that of Cádiz and Seville.

"Here one's sentiments are carried more on the inside," a woman said. "I believe that we are the most introverted and least exaggerated of Andalusians."

Since the times of Seneca and the Jewish philosopher Maimonides, the 850th anniversary of whose birth in 1135 has just been commemorated here, the *córdobas* has been considered a bit of a philosopher himself.

He loves bullfights, flamenco, dresses up for long strolls, *paseos*, with his even more elegantly dressed wife and children most Saturday evenings and Sunday after-

noons, extols the virtues of Montilla and Moriles, the sherrylike white wines from the neighboring villages of the same names. He enjoys nothing more than a picnic with his family among wildflowers near the remains of the 10th-century Arab palace of Medina Azahara, a few kilometers north of Córdoba in the foothills of the Sierra Morena.

There is a balanced, thought-provoking beauty in Córdoba besides the simple loveliness of flower-bedecked white houses, dazzling in sunshine under a blue sky, accented by wrought-iron grills and, here and there, trees full of oranges.

According to an Arab architectural expert, Hasan Fathy, the many traditional houses of old Córdoba, usually built in two stories around patios ornamented by colorful tiles, small fountains, ceramic dishes, flowers and green plants, all open to the sky, contribute to a sense of spiritual well-being.

The courtyard, he says, induces a "feeling of calm and security that

no other architectural feature can, while the sky is pulled down into intimate contact with the house so that the spirituality of the home is constantly replenished from heaven."

Even glimpses of the cool patios from the outside refresh the passer-by (important in a city that can be hot from April to October), but if an owner is about, perhaps outside mopping the front step and then the street in front of it, as people here tend to do, winning Córdoba fame for cleanliness, one is likely to be invited with a gracious "Pase usted" to admire a patio from inside.

During the Patio Festival, which is held the first two weeks in May, one of the big events in Córdoba along with the May and October fairs, residents compete to have their patios judged most beautiful and many are open to the public.

The old quarter of Córdoba, covering roughly a little less than a square mile, spills gracefully downhill from the more modern part of the city to the Mezquita, or Mosque, which is located near the Guadalquivir River.

Private cars are no help here. Córdoba should be toured on foot or in a horse-drawn carriage. The place to start is uphill in Córdoba's lively main square, the Plaza de las Tendillas, lined with open-air bars and cafés that make it an ideal spot for sampling Montilla or Moriles.



Photograph by J. T. S.

Córdoba, above. The pillars of the Mosque, right.

The street named Jesús María, at the southwest corner of the plaza, leads downhill toward narrower streets branching into tiny, almost secret plazas.

Serendipity may lead the visitor to an Arab gate in the ancient city

walls or the Plaza del Potro (Plaza of the Colt), whose inn, still standing, Cervantes both stayed in and described in "Don Quixote," or to the 14th-century Alcázar, where Ferdinand and Isabella received Columbus and directed the battle

to reconquer Spain from the Arabs, or to the Plaza de la Corredera, reminiscent of the Plaza Mayor in Madrid, in which bullfights were once held.

Other places to seek out include the Archaeological Museum, the Julio Romero de Torres Museum, with strange, haunting paintings, the Bullfighting Museum, with remnants of great bullfighters born in Córdoba, including Manolete and the idol of the 1960s, El Cordobés, the Street of the Flowers, which frames the Mosque's bell tower between white walls splashed with flowers and, of course, the Mosque itself.

Built during four separate periods, from 785 to 987, and in four styles of Spanish-Moslem architecture, the Mosque is said to be the oldest building in Europe in continuous use. It originally contained

1,000 columns and still has 860. It is so vast and impressive that even the insertion of a Roman Catholic cathedral in the middle of it in the 16th century hardly detracted from its splendor. To best appreciate its powerful presence, go early, shortly after the cathedral opens to worshippers at 8:30 A.M. and before the Mosque officially opens to tourists at 10:30, and wander among its pillars.

The Mosque can be the center of a visitor's life in Córdoba. The Hotel Maimonides (tel: 957-47.15.00), pleasant and comfortable, is just across the street. Around the corner from the hotel, also facing the Mosque, is a restaurant, the Caballo Rojo (tel: 957-47.53.75), with a menu including regional specialties and dishes inspired by the cooking of Arab Córdoba.

—BARBARA BELL

## Tourism: The Image Is Changing

(Continued From Previous Page)

pected to reach the million mark this year. Britain and West Germany are considered Spain's biggest tourism clients, with slightly over 6 million British visitors last year spending more nights and about the same amount of money in Spain as the 5.25 million West Germans. France actually leads in the number of its citizens entering Spain, with almost 10 million last year, but they spent fewer nights than the Britons and the West Germans and ranked third in money spent.

Italian tourism to Spain has grown sharply since 1982, when Spain hosted the World Cup soccer championship, which Italy won. "Italian fans obviously liked Spain and told their friends about it," Mr. Vasallo said.

From more distant lands, 109,000 Japanese, 52,000 Australians and 6,500 Chinese visited Spain last year.

Rising crime has been a problem for the tourism industry. Purse snatchings and muggings worry tourists and residents alike in beach resorts and major cities, and a recent announcement stated that robberies in commercial establishments in Madrid increased by 32 percent in 1984.

This is a "priority theme for government action right now," Mr. Vasallo said.

While noting that London and Paris have higher crime rates than Madrid, Mr. Vasallo recognized "increased insecurity" as a problem for tourism. "We had a couple of bad years but I believe things are now under control," he said, citing recent legal changes to speed trials and crack down on drug dealers and foreign criminals operating in Spain.

Also, 4,000 additional police will patrol tourist centers this summer.

Terrorism by Basque separatists, Mr. Vasallo said, is "localized in San Sebastián, Pamplona, the

Basque Country and has no effect on general tourism." He dismissed bomb explosions in other coastal areas as "harmless little fireworks."

Tourism slogans have been updated. For the United States, there is "Spain: All of Europe in a single country," and for Europe, "Spain: Everything under the sun."

"We want to maintain tourism on our beaches but we also want to remind people that there is more to do in Spain and much more here than 'sol y playa,'" Mr. Vasallo said.

For example, a current advertisement pictures a seaside banquet featuring seafood, paella and other Spanish dishes and proclaims: "There is more than one way to enjoy our sunny beaches." Another displays Spanish ceramics, leather goods and handicrafts and states: "You'll bring back more than a souvenir from Spain."

The future of tourism looks bright to Spanish officials.

A new marketing program being drawn up for next year will attempt to lure tourists to the green northern regions of Spain, which, in spite of attractions like the cathedral of Santiago de Compostela in Galicia, in the northwest, draws only 2 percent of Spain's foreign visitors.

Spain now has 82 paradors, the government-run chain of often luxurious hotels, about half of them in castles and other monuments, and a total of 850,000 hotel beds.

Spain's tourism goals are simple, Mr. Vasallo said: "In the United States, to be the European market that grows most. In the rest of the world, to be the leader in every market in which we compete."

—BARBARA BELL

## Trendsetters in the Arts Quicken Capital's Pace

By Carlos Garcia-Calvo

MADRID — The *movida*, a happening that groups together everything that is avant-garde, fashionable and youthful in Madrid, is gathering momentum in the capital. Members of the movement are mainly trendsetters who experiment with new fashions, art forms and new writing. In the past three years they have transformed Madrid from a staid, bureaucratic capital into an exciting center for new trends.

The main components of the movement — they call themselves *movidistas* — are film directors, photographers, designers, artists and writers.

Mostly, they wear outrageous fashions and enjoy shocking old-style bourgeois Madrid. The *movida* is constantly moving; movement is central to it, to the point that the term *movida* itself has become outdated and the trendsetters like to think of their movement as postmodernist, referring to themselves as *modernos*.

Next year, a new term will probably have been coined. European and American magazines have started to publish articles on the movement, and journalists hang around the new night spots that open every week to catch sight of the celebrities. People from all over Spain come to Madrid and try to join it.

Although it closed down for the summer after two years, "La Edad de Oro" ("The Golden Age"), a television show created and hosted by Paloma Chamorro, was the best and quickest way to become acquainted with the *movida* and to see its members in action.

With her Afro hairdo, eyes rolling, plump lips pouting, Miss Chamorro introduced the *movida* for more than an hour.

The show's title was rather mystifying; nobody really knew if the golden age referred to those of the people being interviewed (20 to 40 years) or if it applied — with a touch of nostalgia — to the golden days when Miss Chamorro was one of the happy few who realized that there was a *movida* afoot and who first spoke about it in her old, short, rather obscure television talk show five years ago.

She interviewed painters, rock musicians, architects, photographers and a cinema director, who were the founders of the *movida*. It was like seeing members of some exclusive club talk about their latest work. There was also a live concert by some foreign group, like Spandau Ballet or Siouxsie and the Banshees, or a cult figure like Divine. She also commissioned her favorite painters like Carlos Alcolea or Guillermo Pérez Villalta to write and direct short features for her program, the most famous being Cesped's "Lady Meets a Trump," starring two of his muses, Lola Morriarty and Ouka-Lele.

This led some people to accuse the original *movida* founders of being narcissistic, of forming a closed elite. Nevertheless, most artists in Spain want to join the movement, something original members resent.

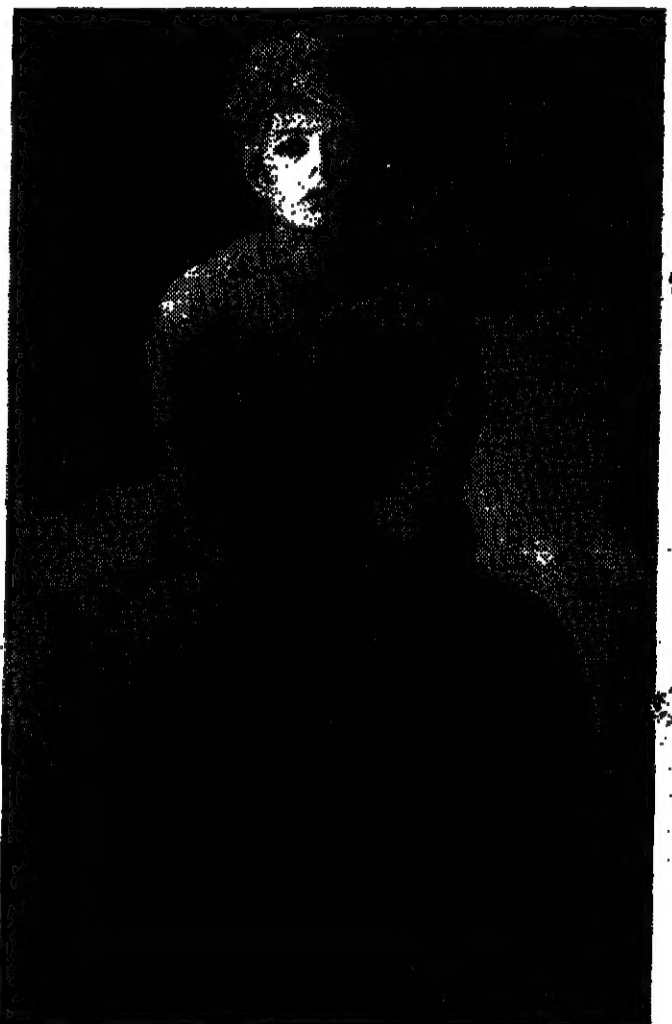
A well-known designer, talking about the noted international painter Miquel Barceló, said "he never belonged to the *movida*," a nuance a layman would not recognize, as Barceló hangs out with movidistas when in Madrid.

Juan Carlos de la Iglesia, a journalist, said: "We shall all be writing treatises on the *movida* soon, and living off it for years. One of the tricky points in question will be who was in it to start with and who decided to join it when it was under way. Who were the people who hung around the terrace of the Teyde bar every night during the warm season till four o'clock in the morning, four years ago?"

The Teyde bar is still flourishing, although it has become crowded and lacks its original flavor. The *modernos* have moved on to another terrace bar a few blocks up the Castellana. During its heyday, Pedro Almodóvar, who had only directed one movie then, the outrageous "Pepe, Luci, Bom y Otras Chicas del Montón," would table-hop with his star, the sometimes transvestite Fabio de Miguel, in attendance. Eschewing the "crazy" look, unkempt eclectic clothing then in fashion, they would coin catch-words while Pablo Pérez-Minguez, a photographer, would snap away. Pérez-Minguez was one of the first to realize the *movida*'s potential, and his albums reflect its history, with shots of Radio Futura and Alaska, the two most important rock groups that dominate the Spanish musical scene today, when they were starting out. There is also Pedro Almodóvar's progress from "Pepe, Luci, Bom" onward, the whole crazy-look rags-to-Armani-look of the movement.

"The *movida* took Spain out of Franco's Council of Trent dark ages into the eighties," Pérez-Minguez said.

He is not at all surprised to see someone like the American photographer Robert Mapplethorpe taking photographs of Madrid's regulars at Mac, his favorite bar. "We have become the craze, so it is quite natural," he said.



Agatha Ruiz de la Prada and her hoop dress.

Today, members of the early *movida* have become superstars and have married, remarried, regrouped and settled down — more or less. Artists like El Hortelano and Cesped sell everything they paint, and they exhibit with great success outside Spain. Ouka-Lele, who lived with them both for a while and later married Hortelano, has people queuing up for her photographs. Their friend Alberto

García-Alix, who always acted in Cesped's films, has become something of a cult photographer.

Ana-Cara, who played in Alaska y los Pegamoides, a rock band, is notorious for her dictums on life and her weird clothing and makeup. Her group, called Alaska con Dinamara now, still has two of its founders, Carlos Berlanga and Nacho Cano, who write all the songs they sing.

According to Canut, "when Alaska started to see people queuing in on our scene, she decided to become a real pro."

Their latest album, "Carnal Desire," topped the charts for months and is selling very well in Latin America. She also played Rom, a lesbian nymphet, in "Pepe, Luci y Bom," Almodóvar's first movie.

Almodóvar has come a long way since then, directing three more movies that have won raves at different film festivals. His second picture, about two nymphomaniacs who find true love, and his third, about nuns who sniff cocaine, were really about the Madrid *movida*, its transvestites, rock stars and artists, with its very witty dialogue and never-ending night life.

But the Spanish postmodernists are becoming international, through people who were not really in the *movida* to start with. Agatha Ruiz de la Prada, a 23-year-old dress designer, is a case in point. She has designed the muffin dress, the bow dress, the bubble dress and the hoop dress. The robe-longue version of the hoop makes women look like chic animated turn-of-the-century lampshades.

There is also Sybilla, an elfin creature just turned 20, who shuns the press, hates being photographed and turns out the most beautifully finished intricate clothes. She also designs shoes and hats.

The Ministry of Culture seems to realize the Madrid postmodernist movement's potential. It is sponsoring Miquel Barceló exhibitions in New York and Bordeaux and is preparing a huge show of his work in Madrid this autumn, rather unusual for a painter just turned 28.

Enrique Tierno Galván, the mayor of Madrid, is always alluding to the movement. He staged the city's San Isidro festivities along those lines, with rock concerts every day for a week, and seemed very pleased when they attracted masses of tourists.



The members of Radio Futura, the Spanish rock group.



From left: Pedro Almodóvar, Fabio de Miguel and Pablo Pérez-Minguez.

## BANCO DE BILBAO GROUP: BALANCE SHEET AND RESULTS 1984.

Banco de Bilbao has pleasure in presenting the consolidated Group balance sheet and results for the 1984 financial year.

These figures are extracted from the Annual Report of the Group for 1984, which provides a comprehensive and detailed analysis of accounting magnitudes for the past five years and evidences the profitability, solidity and financial strength of the Group.

The international expansion of the Banco de Bilbao Group in 1984 materialised in the establishment of two new subsidiary banks overseas: Banco de Bilbao (Suíza) S. A. in Zurich and Banco de Bilbao Deutschland A.G. in Frankfurt, strengthening and amplifying the already wide coverage of our integrated network of offices in Europe.

## BALANCE SHEET AND PROFIT AND LOSS ACCOUNT AT 31 DECEMBER 1984 AUDITED CONSOLIDATED GROUP FIGURES

	In millions of Spanish pesetas	
	1983	1984
TOTAL ASSETS (less contra accounts)	2,225,584	2,225,584
CASH & DUE FROM BANKS	754,783	754,783
BILLS & LOANS	1,132,156	1,132,156
CAPITAL & RESERVES (less minority interest)	92,980	92,980
DUE TO BANKS	345,266	345,266
CUSTOMERS' DEPOSITS & BONDS	1,628,366	1,628,366
NET PROFIT AFTER TAXES	12,767	12,767
NET PROFIT PER SHARE*	286	286
DIVIDENDS PER SHARE*	119.02	119.02

\* in pesetas

An inherent characteristic of the Banco de Bilbao Group is the well-balanced contribution of the Financial Group subsidiaries to the consolidated balance sheet and results.

Contribution of the consolidated companies (as a percentage of Banco de Bilbao figures)	
— Total assets	36.2
— Advances	27.5
— Customers' funds	32.8
— Operating margin	28.0
— Operating costs	14.4
— Net Profit	36.0

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BANCO DE BILBAO



## A SPECIAL REPORT ON SPAIN

## Modern Methods Updating Wines

By Victor de la Serna

MADRID — Bottles of wine with new names and unfamiliar labels are appearing almost daily in supermarkets throughout Spain.

More significantly, the contents taste differently from traditional Spanish wine — drier and fruitier. The wines are the result of modern wine-making techniques.

The new wines, which aim at competing in the middle bracket of Europe's quality *appellation contrôlée* market, hold their own with some of the older, mostly red, Spanish wines. They are the key to Spain's hopes to reap rewards from wine exports once it enters the European Community.

Visions of cheap, bulk wine from Spain invading Europe will probably remain just that — visions. The Spain-EC agreement, in which wine plays a prominent role that was hotly debated in the negotiating process, includes a production quota of 23.4 million hectoliters (620 million gallons) of bulk wine per year. This is roughly the output of an average year in Spain. Production beyond this level will automatically trigger the compulsory distillation of all surplus.

Despite having the largest vineyard-covered surface in the world, 1.6 million hectares (5.77 million acres), Spanish output is usually less than half that of France or Italy. In a very dry country, yields per hectare are little more than a third of those in France and Italy. Now, with the EC-imposed quota, threats of massive bulk exports from Spain have largely waned. Indeed, there have been few protests after the March 29 agreement was reached in the Languedoc-Roussillon region of southern France, generally considered as the main potential victim of Spanish competition in wine, fruit and produce.

Spain and its vintners are thus pinning their hopes on an improved supply of quality, mid-priced wines to Europe. These types will not be limited by production quotas. However, they will be affected by "compensatory amounts," that is, export taxes, to partly offset the difference between Spanish and community-wide prices.

When the accession treaty was completed in Brussels, agreement on these export taxes was also reached. However, a consensus group of French negotiators has attempted, in subsequent technical meetings, to revise those taxes upward. This was the case on June 5 in Brussels, only one week before the treaty was to be signed in Madrid. Manuel Marín, Spain's chief negotiator with the EC, said he was "tricked by the attitude of the French delegation" on wine export taxes.

Meanwhile, the development of the new types of Spanish wines is proceeding swiftly — and largely outside the country's two most prestigious wine-producing regions, La Rioja and Jerez, where the aperitif and dessert sherry wines originate.

"Jerez and La Rioja are now involved in their specific problems," said José Peña, a Madrid wine consultant and writer. "The regions where innovation is proceeding at full speed are the Penedès area of Catalonia, the Rueda section of Castile and, most of all, in La Mancha."

Just south of Madrid, the dry La



## EC Considers Uncorking Spain's Wine Lake

By Steven J. Dryden

BRUSSELS — The enlargement of the European Community, Agriculture Commissioner Frans Andriessen said in a recent speech, makes reform of the community's agricultural policies "more problematic."

Mr. Andriessen's diplomatic understatement masked the real concerns of community officials over the agricultural implications of enlargement, especially the enormous production potential of Spain.

The annual production of wine by the EC, for example, now averages about 16.5 billion liters (43 billion gallons), but community demand is only 13.5 billion liters. Much of this surplus wine is distilled into industrial alcohol, at a cost this year to the community of more than \$850 million.

Despite efforts to control production, EC annual output has risen over the past decade by about a billion liters. Community consumption, on the other hand, has been decreasing on the average of .75 percent every year since 1971.

Spanish wine production is now close to 4 billion liters annually, of which 600 million liters is surplus, according to a recent EC Commission study. What worries community officials is the ability of Spain to achieve this impressive output while maintaining restrictions on the use of irrigation, new plantings and other yield-boosting techniques.

The average output of Spanish vineyards is only 2,800 to 3,000 liters per hectare (2.5 acres), compared with 8,000 liters in the other wine-producing countries of the community.

Concerns about Spanish wine production led community negotiators to insist during the enlargement negotiations with Madrid that the production level for compulsory distillation of Span-

ish table wine be set at 2.75 billion liters, rather than 3.2 billion liters as requested by Spain. The community buys the wine for distillation, but, in order to discourage overproduction, only pays the winemakers 50 percent of the target price.

Spanish membership is expected to create a surplus in the community's production of olive oil, which, since the accession of Greece, has been close to the point of sufficiency. Precise figures are difficult to obtain but the EC Commission estimates that the annual average production of Italy, Greece and France, the three EC nations that grow olives, is about 770,000 tons.

Spanish production of olive oil averages about 460,000 tons annually, representing a national surplus of 35 percent, but it has been growing steadily in the past several years. In 1984, the Spanish level of production stood at about 600,000 tons, according to the Ministry of Agriculture.

Reducing the surplus in olive oil will be difficult because the producers are located in the poorer regions of the community and often depend on the product for their livelihood, EC officials said. Nevertheless, after the entry of Spain and Portugal, the community will begin discussion of restrictive measures, they said.

Spain produces more than twice the amount of citrus fruit it needs for its domestic markets and supplies about 40 percent of the EC demand. Spanish citrus growers could boost their exports to the community, however, if they could increase production to meet demand later in the season.

Spanish citrus production in 1984 stood at about 1.8 million tons of oranges, 1 million tons of mandarins and 420,000 tons of lemons, according to the Agriculture Ministry. Community production in 1984 was estimated at 3.4 million tons of oranges, 290,000 tons of mandarins and 1.06 million tons of lemons.

Mancha plains have one of the world's largest vineyard areas, close to half a million hectares. Sugar-laden white grapes, their juice lusciously fermented, have traditionally produced a cheap, heavy and flat-tasting table wine. However, an increasing number of vintners and cooperatives are changing their ways under the advice of younger, well-trained oenologists.

This year, some 50 million liters of La Mancha wine (still only 3 percent of the area's total output) have been made in an entirely different fashion. The local air-dried grapes are picked as much as two weeks earlier than usual to produce a more acidic, fruitier, less alcoholic wine. The fermentation takes place in stainless-steel vats under controlled temperatures, and imported yeasts are combined with local ones. The result is very different from old-fashioned La Mancha wines and are in tune with prevailing international tastes.

"A vintner such as Andrés Izquierdo, of Socuellamos, now produces an excellent white wine reminiscent of a *sauvignon blanc* from the Loire," Mr. Peña said. That wine sells in Spain for about 120 pesetas (70 cents) a bottle.

Similar wine-making procedures are widely used in Catalonia, where local grape varieties are increasingly combined with others of French origin, particularly *cabernet sauvignon*, *pinot noir*, *sauvignon blanc* and *pinot chardonnay*. Contrastingly, at Rueda, the local, somewhat herbaceous-tasting *verdejo* white grape is still most widely used. In the Ribeiro section of southern Galicia, a small amount of high-quality white wines is being made from the unique local varieties, *torrontés* and *treixadura*, which emerged unscathed from the phylloxera disease that destroyed Europe's vineyards 100 years ago. These areas now use modern vinification methods.

In Jerez and La Rioja, lingering problems are still being tackled. An ill-advised rash of new vineyard planting during the 1960s in Jerez resulted in a market glut, with huge unmarketable surpluses every year.

Acreage has now been reduced by one-third through governmental subsidization of vine uprooting. But the accumulated losses took several of the leading sherry companies to the brink of bankruptcy — a situation that is only just being remedied.

The lack of prospective buyers has slowed the reprivatization of the Jerez holdings of the huge Rumasa group, which was taken over by the government two years ago.

In La Rioja, where most of Spain's high-quality red wine is made from the *tempranillo* grape, the problem lies in rapidly rising prices that have taken their toll in international competitiveness. The average bottle is twice as expensive as it was three years ago. Together with inefficient farming methods and old, nonproductive vines, the main reason lies in long-overdue legislation.

In 1980, regulations banning the fraudulent mixing of Rioja and lesser wines were approved, and stiff fines imposed.

The coupage-free 1981s have reached the stores — and prices have skyrocketed.

This has created a threat to the burgeoning European trade of Rioja wines. *Crus bourgeois* from Bordeaux, their main international competitors, have increased their prices only marginally. If the upward trend in La Rioja is not checked this year, foreign trade may tumble.

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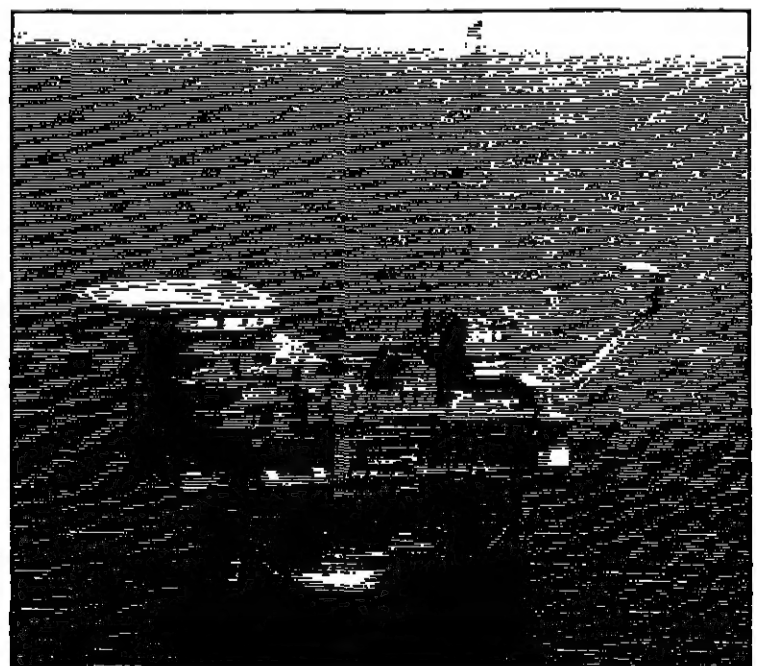
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### Spain



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<b>TOTAL INVESTMENTS 389,2 mill. u.s.</b>	<b>67.553 million pesetas</b>
<b>TOTAL INCOME 9.019,1 mill. u.s</b>	<b>1.565.536 million pesetas</b>
<b>ACTIVITIES</b>	<b>VOLUME</b> <b>PERCENTAGE OF NATIONAL TOTAL</b>
Drilling as Operators	40.014 M 20%
Oil and Gas Production (Spain and abroad)	5.84 Mtoe 79%
Crude Oil Processed for National and International Markets	18.5 Ml 42%
Basic petrochemical products supplied to National Market	0.69 Ml 56%
Natural Gas supply	1.93 GNm³ 100%
Liquid Petroleum Gas (LPG) supply	2.11 Ml 97%
Energy supply to the Internal Market	21.59 Mtoe 30%

## Water and the Realities of Agricultural Potential

(Continued From Page 7)

and, according to agriculturalists in Almería and in Madrid, it is.

Unregulated pumping during the period of rapid expansion so depleted subterranean water supplies that, even with the use of the water-sparing drip-irrigation method, there is barely enough water available to maintain current cultivation levels. Worse yet, sea water has infiltrated underground water supplies.

Water from the tap in Almería's best hotel is undrinkably salty and

although farmers say they have to use better-quality water than that for their crops, they acknowledge that salinity is a problem and state that water limitations prevent further expansion in this region.

Expansion is also unlikely in Spain's ancient olive groves, but Cristóbal Lovera, agricultural delegate for the province of Córdoba, which accounts for about 20 percent of Spain's olive oil production, said that olive growers there and throughout Andalusia shared the "general impression" that entry

into the EC would gradually prove beneficial to them.

The farmers and produce shippers of Mediterranean Spain will enter the EC with the advantage of long experience with European markets, and the olive oil industry has a similar history.

"For more than 100 years, we have been exporting to Europe," Mr. Lovera said. "Already, about 20 percent of Spain's olive oil goes to countries in the Common Market."

Agriculture Ministry officials in Madrid stressed that rather than "invading Europe," as feared in some parts of the EC, Spain would enter the Common Market "at great cost at the beginning and with problems of adjustment."

For the past three years, Spain has directed its internal agricultural policies toward preparation for joining the EC. Mr. Conejo said, adding: "We see this as a coupling of two moving trains and we hope that it can be accomplished with as gentle a jolt as possible."

At Almería, fields spotted with plastic greenhouses.



## A SPECIAL REPORT ON SPAIN

## Madrid's Recovery Program Liberalizes Foreign Investment

MADRID — Foreign investment, one of the few items in Spain's economy showing strong growth, has been further liberalized as part of the Madrid government's recent recovery plan and is expected by authorities to continue this pattern. This will help offset the continuing slide of domestic investment.

Last year, foreign investments grew by 14 percent in real terms, but gross capital formation in Spain fell by 3.5 percent. The foreign influx was even more notable in the bullish Spanish stock markets, where over-all turnover doubled but the foreigners' share tripled. Altogether, foreign investment totaled almost \$2 billion — 1.2 percent of Spain's gross national product.

Last April, conditions for foreign investment were relaxed as part of a plan announced by Miguel Boyer, the minister of the economy and finance, and intended to revive economic activity and consumption after a drop in exports late in 1984 practically wiped out the timid growth that Spain's economy managed earlier last year.

In keeping with Mr. Boyer's plans, previous authorization by

the Council of Ministers for investments giving a share of 50 percent or more to non-Spanish citizens or corporations has now been suppressed. Real-estate acquisitions by foreigners have also been thoroughly liberalized. Only a communication for statistical purposes will be required. Governmental authorization will still be required for a handful of "sensitive" industries such as air transportation or local radio.

Under the old system, the cabinet approved practically all investment proposals, but there were some notable exceptions. Most recently, a bid by the French edible oil concern, Lesieur Cotte, for Carbonell, Spain's leading olive-oil bottler, was turned down. The reason given by the Madrid government was that, since Lesieur already controls the Spanish oil firm Koipe, the Carbonell takeover would have given it control over three-quarters of the country's olive-oil production — a "strategic sector."

The liberal wing of the cabinet, headed by Mr. Boyer, reportedly opposed the Lesieur ban but was finally overruled by what a Madrid newspaper described as "the nationalistic, dogmatic wing."

With European Community membership at hand, a change in the current pattern of foreign investment is foreseen by Madrid officials.

"There is already a trend to less capital investment in plant by companies from EC countries," the state secretary for commerce, Guillermo de la Dehesa, said in a recent businessmen's discussion.

"With Spanish tariff walls about to start disappearing, what the Europeans are interested in is no longer making their products here, but rather improving their distribution networks in Spain so they can sell here more of what they make elsewhere."

"On the other hand," Mr. de la Dehesa added, "non-EC investors have a growing interest in Spain for that same reason — because it will soon be a member of the community."

While the percentage of foreign investment in EC countries was 51 percent in 1983 (from a total of 243 billion pesetas (\$1.38 billion), it dipped last year to 35 percent of 313 billion pesetas.

The overall growth of foreign investment is part of a prolonged trend — for the past decade, this growth has averaged 4.8 percent annually in real terms. With Spain and the EC getting constantly closer to an agreement on accession, which was finally reached March 29, the trend accelerated to resemble a frenzied race.

Paradoxically, Spanish investors have not followed suit (domestic investment has been diminishing in real terms for 12 years now), and it remains to be seen whether lavish fiscal inducements in Mr. Boyer's plan will reverse that trend. The local investors have never recovered faith after the fast-growth, instant-amortization era during Francisco Franco's last 15 years in power. Dissolving profits, fast-growing taxes and the labor market rigidities have virtually dried up local investment.

On the other hand, foreigners have taken a very different view of Spain's prospects and adopted a longer term outlook. Compared with other areas of the world, particularly in developing countries, social peace in Spain appears almost idyllic, and the country, with a population of almost 40 million, retains a considerable potential for growth and market development,

which has all but disappeared in richer European countries.

Also, as the American and Japanese companies in the automobile industry have been quick to grasp, Spain's status as an EC candidate made it a perfect bridgehead into the protected European market.

Not all is rosy for the future if some official figures are considered, Spanish economists say. Particularly, only 10 percent of foreign investments in 1984 was devoted to the creation of new businesses. Most is devoted instead to capital increases (69 percent) and to the purchase of shares (21 percent). On the other hand, profit remittances, dividends and payments for royalties and patents strongly diminish the positive impact of foreign-controlled companies on Spain's economy as a whole.

— VICTOR DE LA SERNA

## Industry: How to Grow Without the 'Greenhouse'

MADRID — The most eloquent statistic on Spanish industry is that in the decade 1973-1984, 2.4 million jobs were lost on a net basis, at a rate of 220,000 jobs a year. The so-called "Spanish miracle" of the 1960s, when the country's economy moved into top gear, was stopped in its tracks by the middle 1970s.

Spanish industrial policy continues to stress the reduction of over-manning and the identification of future growth sectors. Coloring this is the impact of European Community membership.

What Spanish economists and government strategists have come to realize is that the "miracle" of the boom years was deceptive. Industry grew quickly because it was highly protected. EC membership means that the greenhouse of protectionism will be dismantled.

In January, Spain introduces val-

ue-added tax and embarks on a seven-year transition which means, at its terminal point, the full acceptance of the EC common external tariff. According to a forecast by the European Commission, the effect of VAT and of the tariff will amount to halving the current trade protection enjoyed by Spanish products.

Confronted with such a future, Spanish business is, naturally, alarmed. A set phrase that is heard in business circles is: "Spain is not entering the EC, Europe is entering Spain." Broadly, the challenge that Europe poses has fueled more than ever the policy of *saneamiento*. This means a concerted attempt to have Spanish industry streamlined in order to survive the rigors of life out of the greenhouse.

*Saneamiento* has been the buzz word among Spanish officials ever

since the Socialist government took office at the end of 1982. Layoffs have been the norm in the smokestack sectors, which are, in the main, public owned. The steel and shipbuilding industries have been shedding their labor force, telescoping into a two-year period what other European governments have achieved by stages over the past 10 years.

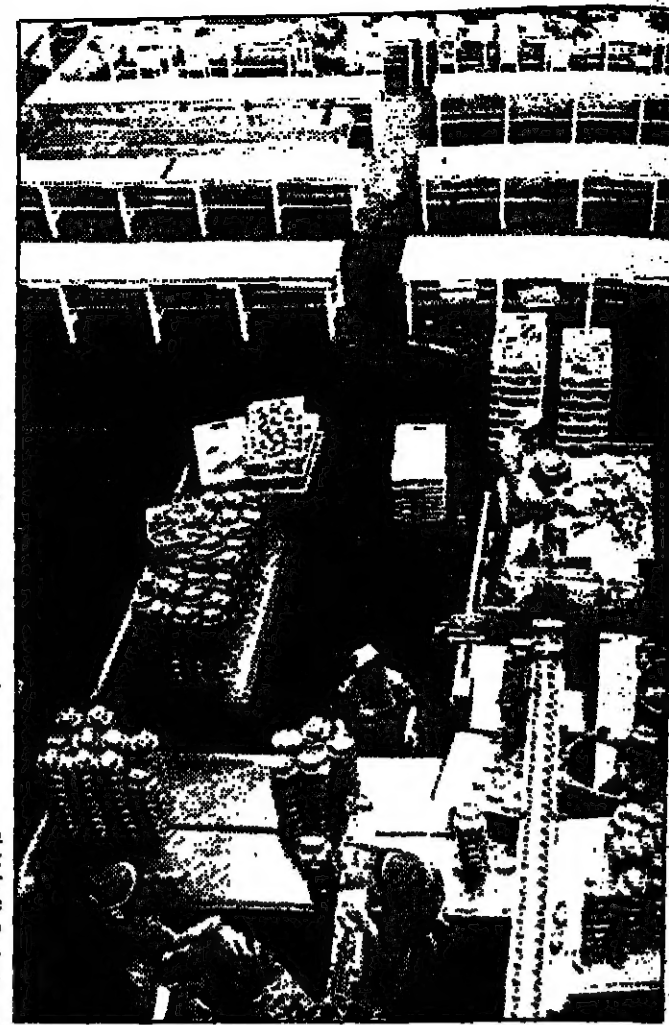
The prime mover of *saneamiento* has been Industry Minister Carlos Solchaga, who soon after taking office let it be known that Spain was five years behind comparable Western European societies in the drive to update industrial infrastructures.

Late last year, Mr. Solchaga promoted his undersecretary in the industry ministry, Luis Carlos Croissier, to be chairman of the public-sector holding company, the

Instituto Nacional de Industria (INI). Mr. Croissier, 35, a member of the Socialist Party, Mr. Croissier not only forced through layoffs, he also began spinning off INI group companies to the private sector in a manner that earned him the label of the government's "Thatcherite."

He has sponsored unusual moves, which have included the selling off to private investors of an INI-owned carpet and textile producer and the closing down of a publicly owned ball-bearing plant.

As the smokestack sectors are redefined, so has there been an increased drive toward attracting high technology to Spain. In this, INI has also played a major role. Essentially, the state holding company has relinquished its responsibilities in favor of the national telecommunications company, Compañía Telefónica Nacional de



The floor of a fish-packing plant in Galicia.

España (CTNE), which is part government owned and has a host of small-time investors much on the model of British Telecom. INI, under Mr. Croissier, has turned its computer manufacturer, Secosina, which is associated with the Japanese group Fujitsu, over to CTNE. The national telecommunications company has thus taken on

the lead role in Spain's bid to, in the words of Mr. González, "reach the train of the 21st century."

In government and business circles there is, despite gloomy statistics on employment and domestic investment and growth, a degree of buoyancy and optimism over what lies ahead.

— TOM BURNS

## González Cultivates His Garden With Sure Political Hand

(Continued From Page 7)

cratic Center (UCD) party, which preceded the Socialists in government, was that, as one former cabinet member put it, "The public ended up knowing very well how very badly we all got on with each other." The leadership of the UCD was constantly at loggerheads, to the point that the party's former leader, the prime minister of the post-Franco transition years, Adolfo Suárez, finally left the party and created his own centrist group.

The Spanish voters firmly turned their backs on the UCD in the 1982 elections and the party collapsed into oblivion. The flame of center-party politics is kept flickering by Mr. Suárez and his tiny Social Democratic Center, which has two seats in the 350-member Congress of Deputies.

Mr. González, in contrast, has maintained the same cabinet team he appointed when he took office. The Madrid café-society talk of political ins and outs and of impending cabinet reshuffles has dried up. There is no doubt that Mr. González, with the telling support of Mr. Guerra, is in charge. The Socialist Party Congress held last December, the first convention that the party had held since winning the elections, was a model of party unity.

If Mr. González governs through to next June, as appears likely, he will have been the first post-Franco prime minister to have served out his full term. This achievement in itself has voter appeal. Although the official Socialist Party campaign slogan in 1982 was "for change," Prof. Ignacio Sotelo, a leading analyst of contemporary Spanish politics, says Spaniards in reality wanted stability and firm government. In this sense, Mr. González has delivered the goods.

The most trenchant example of this policy concerns the relations between the civilians and the military. Saber rattling against democracy, a feature of the transition process until Mr. González took office,

is now noticeable only by its absence. Episodes such as the failed putsch attempt of 1981 now appear light years away. Such tranquil political waters would appear to bear out the judgment that the military are only a problem in Spain if the civilian politicians are a problem.

Mr. González takes credit for the fact that during his tenure of office politics has become "normalized." One of the points he makes in private is: "I had to wait until I was 36 before I was able to vote in elections. I want my son Pablo [his eldest and now aged 12] to vote as soon as he is 18."

Mr. González's major political priority is to consolidate democracy in Spain and he speaks of this as the "historic challenge" that he, his associates and his party have to face.

By a fortuitous combination of timing and determined negotiating, Spain's long-awaited entry into the Common Market has coincided with Mr. González's prime ministership.

The immediate impact of European membership on the Spanish population has been almost wholly psychological. Spaniards view membership as a coming of age, as the seal of approval on Spain's progress and modernity, as an admittance into a select club of developed nations and as an end to an isolationism that has lasted for centuries.

Mr. González says that with EC entry, Spain will "make a qualitative leap forward" and he claims that within a decade "nobody will recognize this country." Behind such statements lies a conviction shared by the prime minister and by many others in public life in Spain that the country has, in its youth and vitality, a tremendous potential and that the European Community forms the perfect channel for Spain's pent-up energies.

EC enthusiasts in Spain argue that the country boomed when an economic liberalization program at the end of the 1950 did away with

the state-directed autarchy. That liberalization was accompanied by an early bid to join the EC and, since Francoism prevented full membership, Spain settled for what was to be a highly beneficial preferential agreement with Brussels in 1970. The new boom of trade liberalization as a result of entry is seen as heralding a second Spanish boom.

There are others who are far less sanguine. They point out that two decades ago the Western economy was growing at full steam and that this is far from the case now. They argue that at a time when Spain's trading partners are paying only lip service to liberalization and are adopting protectionist practices to shore up their domestic industries,

Spain has quixotically agreed to do away with its highly effective trade barriers.

"As usual, we are swimming against the current," was how a Madrid businessman in the domestic-appliance sector put it.

The Europeanists in Spain concede that disenchantment with the EC will set in during the early stages of membership. The imposition of the value-added tax, scheduled for Jan. 1, will have an inflationary effect and the progressive lowering of tariff protection during the seven-year transition will have an impact on the labor market.

But the general satisfaction that Spain is at long last accepted on the European stage will nevertheless be the pervasive sentiment in the early

months of membership — Foreign Minister Fernando Morán talks of entry as "the end to a historic frustration." These sentiments will undoubtedly be used by Mr. González in next year's election campaign.

Political trump cards are necessary to the prime minister because the government's economic strategy looks increasingly in disarray. The 1982 Socialist Party manifesto had mapped out a policy of public investment and expansionism to create jobs, much on the model of the French Socialists, but, on taking office, the newly appointed economic minister, Miguel Boyer, put the manifesto's proposals into a filing cabinet and embarked on an austerity program that was a stabilization plan in all but name.

Inflation and the budget deficit were identified as the twin evils by Mr. Boyer as he set about pegging salary increases and reining in the public sector.

Mr. González has steadfastly backed Mr. Boyer. The prime minister told the December Socialist Party convention: "We were not elected to power to redistribute misery and shortages." The keynote theme was that Spain's business class had to be encouraged to create wealth.

The objective is to have a streamlined economy, pared down to the bone if necessary, and a flexible productive process ready to be in the front line of growth when the world economy takes an upturn.

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NYSE Most Actives				
Vol.	High	Low	Last	Chg.
IBM	277.40	276.00	276.00	-1.40
AT&T	277.00	276.00	276.00	-1.00
GE	277.00	276.00	276.00	-1.00
AMT	277.00	276.00	276.00	-1.00
AMT	277.00	276.00	276.00	-1.00
AMT	277.00	276.00	276.00	-1.00
AMT	277.00	276.00	276.00	-1.00
AMT	277.00	276.00	276.00	-1.00
AMT	277.00	276.00	276.00	-1.00
AMT	277.00	276.00	276.00	-1.00

Dow Jones Averages				
Open	High	Low	Last	Chg.
Indus	132.77	132.72	132.72	-0.05
Trans	132.77	132.72	132.72	-0.05
Comp	132.77	132.72	132.72	-0.05
NYSE	132.77	132.72	132.72	-0.05
NYSE	132.77	132.72	132.72	-0.05

NYSE Index				
High	Low	Open	Close	Chg.
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05

NYSE Closing				
Vol.	High	Low	Last	Chg.
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05

AMEX Diaries				
Vol.	High	Low	Last	Chg.
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05

NASDAQ Index				
High	Low	Open	Close	Chg.
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05

AMEX Most Actives				
Vol.	High	Low	Last	Chg.
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05

Dow Jones Bond Averages				
Open	High	Low	Last	Chg.
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05

NYSE Diaries				
Vol.	High	Low	Last	Chg.
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05

Odd-Lot Trading in N.Y.				
Vol.	High	Low	Last	Chg.
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05

Standard & Poor's Index				
High	Low	Open	Close	Chg.
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05

AMEX Sales				
Vol.	High	Low	Last	Chg.
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05

AMEX Stock Index				
High	Low	Open	Close	Chg.
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05

AMEX Most Actives				
Vol.	High	Low	Last	Chg.
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05
132.77	132.72	132.72	132.72	-0.05

## New York Stocks Turn Mixed

**United Press International**  
NEW YORK — The stock market turned mixed late Wednesday in active trading. The Dow Jones industrial average was down 0.78 to 1,303.98 shortly before 3 P.M. But advances still led declines by an 8-7 ratio among the 1,967 issues crossing the NYSE tape. Five-hour Big Board volume amounted to about 91,165,200 shares, against 90,230,000 in the period Tuesday.

Prices were mixed in active trading of American Stock Exchange issues.

Analysts said stock prices had been buoyed by the belief that Thursday's report on second-quarter gross national product growth would

show that the economy had slowed sufficiently to compel the Federal Reserve to ease credit conditions.

Before the market opened, the Commerce Department reported that personal income fell 0.5 percent in May.

The street is hoping that if the "flash" estimate of second-quarter GNP comes in at 2.5 percent or lower, the Fed would have to take fairly prompt action and lower the discount rate another notch, said Eugene Perone of Bateman Eichler, Hill Richards.

Mr. Perone said investors are feeling cautious. A cut in the discount rate, the interest the Fed charges for overnight loans between banks, might not be the cure-all some people expect, he said.

As portfolio managers pull their portfolios into shape at the end of a quarter, they may take advantage of market strength to sell stocks they no longer want, he said, adding that technology stocks could suffer more in that case.

If the Fed does not lower the discount rate, the market could "go into a lazy retreat" to the 1,275-1,280 area, Mr. Perone said. "That would be the ideal buying point," he said.

Utilities were active. Bell South was near the top of the active list and of slightly. Southern Company and Commonwealth Edison were also off fractionally, while Niagara Mohawk, Cincinnati Gas & Electric and Boston Edison were up marginally.

AT&T was up a fraction. American Express was marginally lower. IBM was little changed. The company said it was reducing the purchase prices for selected models of its large processors and intermediate system computers. It also introduced a new processor and three new work stations.

RCA was off slightly. Its Hertz unit will be sold to UAL Inc., the parent company of United Airlines, for \$587.5 million. UAL Inc. little changed.

TWA was unchanged. Its three major unions, fearing cost-cutting moves by Texas Air Corp. if its planned \$925-million takeover succeeds, have formed a coalition to prevent Texas Air from gaining control. Texas Air has lost a little ground.

Auto stocks weakened. Chrysler may sign a \$600 million agreement to buy Gulfstream Aerospace Corp., one of the world's leading builders of corporate jets; Gulfstream's chairman said Tuesday. Gulfstream Aerospace was off slightly.

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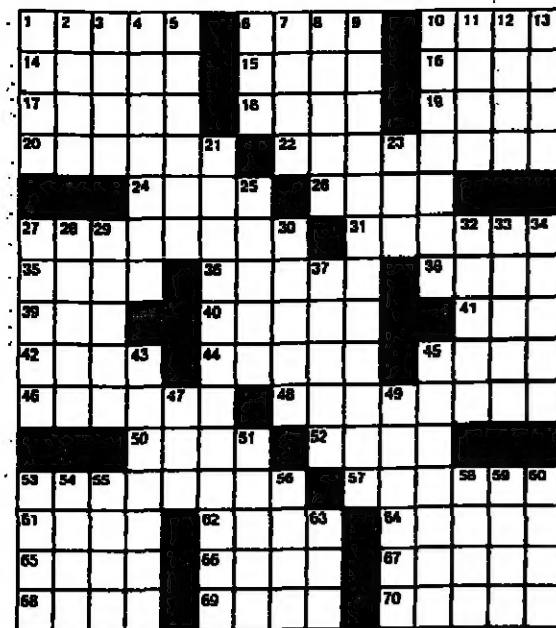


[illegible]









**ACROSS**

1 City NE of Boston  
6 Saroyan hero  
10 Craft for Finn  
14 Old World lizard  
15 Convex moldings  
16 Type of grape  
17 Cow's first stomach  
18 Hines or Holliman  
19 Midwestern bread  
20 Rubbish  
22 Alter  
24 Plent to a fault  
26 Droops  
27 Rat  
31 Record in symbols  
35 Vats  
36 Work with dough  
38 Dutch cheese  
39 First—  
40 Near, to a poet  
41 Conclusion  
42 Blister  
44 Argentina's Rio  
45 Small dog, for short  
46 Leave high and dry  
48 Obedient follower

**DOWN**

1 Chalcedony  
2 Military symbol  
3 Essayist: 1775-1834  
4 Leaves a colliery  
5 Type of hemp  
6 Spenserian hag  
7 Wander  
8 High-warp tapestry  
9 Symbols of a rich land  
10 Swift, sharp answer  
11 Tel.  
12 Gala celebration  
13 Former ruler  
21 Symbols of smoothness  
23 Self  
24 Sesame  
27 Wild guesses  
28 Comforter  
29 Beneath  
30 Coast  
32 Revolve a legacy  
33 Japanese poem  
34 German port  
37 Coincides  
43 Oil containers  
45 Diller  
47 Negative word  
48 Stick or split  
51 Ray  
52 One kind of shoppe  
54 Opinion  
55 A Gardner  
56 Name for a lioness  
58 Landlocked country  
59 Heraldic bearing  
60 Break of a habit  
63 Anchor tackle

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### DENNIS THE MENACE



"MY DAD SAYS HIS MOTORS RUNNING" BUT HIS CLUTCH IS SLIPPING, WHATEVER THAT MEANS."

### JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

RIVYO  
RARBI  
THINEW  
COTESK



THE FIREMAN IS JUST ABOUT THE ONLY CIVIL SERVANT YOU'D PREFER TO SEE THIS WAY.

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here:  AT

Yesterday's Jumble: OZONE TABOO GRIMLY RADIUM

Answer: They were participants in a shotgun wedding—THE BRIDE & "GROOM"

(Answers tomorrow)

### WEATHER

EUROPE				ASIA			
	HIGH	LOW			HIGH	LOW	
Algeria	25	17	11	fr	Bangkok	26	19
Amsterdam	17	13	11	fr	Beijing	26	19
Athens	25	17	11	fr	Bombay	26	19
Berlin	25	17	11	fr	Buenos Aires	26	19
Bombay	25	17	11	fr	Calcutta	26	19
Buenos Aires	25	17	11	fr	Chongqing	26	19
Calcutta	25	17	11	fr	Colombo	26	19
Chongqing	25	17	11	fr	Dacca	26	19
Colombo	25	17	11	fr	Delhi	26	19
Dacca	25	17	11	fr	Hankow	26	19
Delhi	25	17	11	fr	Harbin	26	19
Hankow	25	17	11	fr	Hong Kong	26	19
Harbin	25	17	11	fr	Kobe	26	19
Hong Kong	25	17	11	fr	London	26	19
Kobe	25	17	11	fr	Manila	26	19
London	25	17	11	fr	Peking	26	19
Manila	25	17	11	fr	Rangoon	26	19
Peking	25	17	11	fr	Shanghai	26	19
Rangoon	25	17	11	fr	Singapore	26	19
Shanghai	25	17	11	fr	Taipei	26	19
Singapore	25	17	11	fr	Tokyo	26	19
Taipei	25	17	11	fr	Yokohama	26	19
Tokyo	25	17	11	fr			
Yokohama	25	17	11	fr			

### PEANUTS



### BLONDIE



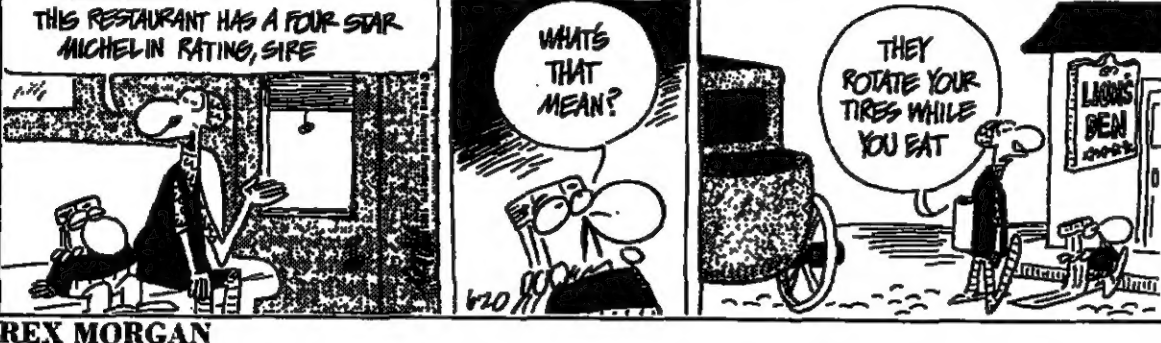
### BEETLE BAILEY



### ANDY CAPP



### WIZARD of ID



### REX MORGAN



### GARFIELD



## BOOKS

### SECRECY AND DEMOCRACY: The CIA in Transition

By Stanfield Turner. 304 pages. \$16.95.  
Houghton Mifflin, 2 Park Street, Boston, Mass. 02108.

Reviewed by James Bamford

HIGH OVER the North Atlantic the machete on the forward bulkhead registered nearly twice the speed of sound. Four hours earlier Admiral Stanfield Turner, commander of the North Atlantic Treaty Organization's southern flank, had received a "secure" telephone call in his Naples headquarters from the secretary of defense. "The president," said the secretary, "would like to see you in Washington tomorrow." Now, cushioned in a brown leather seat on the Concorde, Turner could feel his adrenalin begin to race with the Mach numbers as he pondered his future and the meaning of the sudden call.

A Rhodes scholar out of Annapolis, protégé of Elmo Zumwalt, the progressive Navy chief, and four stars on each shoulder by his 52d birthday, he was one of the U.S. Navy's best and brightest. On top of that, Jimmy Carter, the new president at Annapolis, there were few places for the ambitious young admiral to go besides the chief of naval operations or chairman of the joint chiefs of staff, or so he hoped. But a few minutes before noon on Feb. 3, 1977, Admiral Turner's optimism decelerated like the Concorde approaching Dulles Airport. "Stan, I'm considering you for director of Central Intelligence," the president told him. A few hours later he called his wife to give her the disappointing news: "Darling, we're going to the beach leagues."

"Secrecy and Democracy" might have been subtitled "The Education of a CIA Director." It is a surprisingly candid account of Admiral Turner's four reluctant years at the top of the expanding U.S. intelligence bureaucracy. That it is not even more candid is not the fault of the former director. Like the hunter who stumbles into his own bear trap, Turner complains bitterly about the way he was treated by the CIA prepublication censors, who shredded more than 100 passages of his manuscript. As he points out with some irony, it was he who in 1978 urged prosecution of a former employee, Frank Snepp, for failure to submit his manu-

script to the censors. Snepp was sued by the agency and forced to forfeit all monies received from his book, "Decent Interval."

"I fully support the requirement for such review," Turner writes. "What I object to is the way the present administration conducts its reviews." Chief among his complaints was the "extreme arbitrariness" of the review. "The deletions ranged from borderline issues to the ridiculous." In the latter category was an apparent requirement to delete the name of the British foreign intelligence organization, MI-6, even though this has been openly acknowledged for many decades on both sides of the Atlantic.

In spite of the CIA's literary butchers, Admiral Turner succeeds in producing an important book on a dark subject. He paints a frightening picture of an agency almost beyond his control as a result of an entrenched, paranoiac old-boy-network. The three major operational branches functioned as independent fiefdoms, jealously guarding their borders from any outside interference—including that from the director.

On Oct. 31, 1977, open warfare broke out between Turner and his agency when dismissed notices were sent out to a number of agency employees as a result of post-Vietnam war personnel reductions. Taking the brunt of the losses on what became known as "The Hallows-ten Massacre" was the branch responsible for human espionage collection (known as DDO, for Deputy Director of Operations). According to Turner, only 17 people from the espionage branch were actually fired and 147 were forced into early retirement. Through normal attrition over the next two years, however, the branch would be reduced by 820 positions.

Despite the facts, Turner says the press and public were deliberately misled by current and former agency employees into believing that he was actually firing 820 people. "What was really behind the ouster," writes Turner, "was outrage at my challenging the traditions of independence of the espionage branch. It could summarily reduce the size of the espionage branch. I might next begin to supervise what it did. The cry was over power and turf."

It was also a battle between the old covert-action diehards, many of whom were in retirement, and modern technical collection—and Turner was on the side of the technology. "Their empire," Turner writes of the covert-action diehards, "had been invaded by a host of modern spies, which was surrounded by a moat of secrecy, had been invaded by a host of modern spies who they believed would never understand or appreciate it and therefore could not properly change its ways."

Turner concludes with an "agenda for action" which includes a radical, and progressive, proposal for the creation of a new organization to make generally available the findings of U.S. reconnaissance satellites. He also suggests the creation of a director of National Intelligence, separate from, but with authority over, the CIA and all the other resources. He proposes strengthening the DCI's authority over the National Security Agency which, Turner says, often withholds information from the rest of the intelligence community to give it directly to the president or the National Security Council.

James Bamford, author of "The Puzzle Palace," on the National Security Agency, wrote this review for The Washington Post.

## BRIDGE

By Alan Truscott

ON the diagramed deal, the winners had to struggle in a borderline game when West picked the best opening lead.

Most of the North players raised no-trump immediately, but a raise to two no-trump would have been artificial so South had to employ Stayman.

South continued boldly to game and was faced by a spade lead: Her heart bid had discouraged West from leading that suit, and he thought, rightly as it turned out, that a diamond lead might give away a trick.

The spade ace captured the queen, and South tried the club ace. This collected the king and led to dummy's nine, surrendering a trick to the jack.

East persevered with spades, and South then led a heart to the king. On winning with the ace, East shifted to a diamond and South played low.

West took the queen and exited with a spade, apparently leaving South with just eight tricks. But she had the last word, for West was trying to protect both red suits. When dummy's club winners were cashed, West had to jump 1-10 of hearts and K-9 of diamonds.

A heart to the queen and another heart lead produced the endplay, forcing West to lead from the diamond king at the finish. West could have made matters more difficult by barring his diamond king nonchalantly, but South would no doubt have solved the problem.

The result was not a South triumph, however. At most tables the declarer made 10 tricks because hearts were not bid and West led that suit.

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